

**City of
Bruceville-Eddy, Texas**

September 30, 2021

Financial Statements



CITY OF BRUCEVILLE-EDDY, TEXAS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT THEREON
AND REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Bruceville-Eddy, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Bruceville-Eddy, Texas (the City), as of and for the year ended September 30, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 and each major fund of the City of Bruceville-Eddy, Texas, 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, schedule of funding progress, schedule of changes in net pension liability (asset) and related ratios, schedule of pension contributions, schedule of changes in total OPEB liability and related ratios, schedule of OPEB contributions and budgetary comparison information on pages 5 through 11 and 59 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

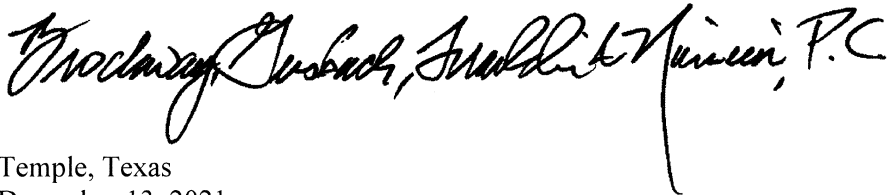
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**INDEPENDENT AUDITOR'S REPORT
(CONTINUED)**

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021, 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 effectiveness of the City's 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.

A handwritten signature in black ink, reading "Brockway Busch, Matthew M. Menden, P.C." The signature is written in a cursive, flowing style.

Temple, Texas
December 13, 2021

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BRUCEVILLE-EDDY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of the City of Bruceville-Eddy, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2021. Please read it in conjunction with the Independent Auditor's Report on pages 1 through 3, and the City's Basic Financial Statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- The City's net position increased by \$ 652,093 as a result of this year's operations.
- The General Fund ended the year with a fund balance of \$ 2,791,631.
- During the year, the City had governmental expenses that were \$ 338,461 less than the \$ 1,209,857 generated in tax and other revenues for governmental programs.
- The total cost of all the City's programs was \$ 2,281,792. Of this amount, \$ 1,990,307 was directly attributed to Public Safety (Police Department) and Water Services. The remainder of the cost was mainly for general government and street repair.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 14 through 17). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 18) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. Proprietary statements provide the same type of information as the government-wide financial statements, only in more detail.

The notes to financial statements (starting on page 31) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 14. Its primary purpose is to show whether the City is better or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BRUCEVILLE-EDDY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

These two statements report the City's net position and the changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider nonfinancial factors as well, such as changes in the property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities.

Governmental activities – Most of the City's basic services are reported here, including the public safety, streets, and general government. Property taxes, fines and sales taxes finance most of these activities.

Business-type activities - The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer system activities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law and by bond covenants. The City's two kinds of funds - governmental and proprietary - utilize different accounting approaches.

Governmental fund – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for the governmental fund with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental fund statements are detailed in a reconciliation following the fund financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BRUCEVILLE-EDDY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Proprietary fund - The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in the proprietary fund. The proprietary fund is reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information such as cash flows for the proprietary fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$ 8,523,343 as of September 30, 2021. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position was \$ 4,657,688 and the governmental activities net position was \$ 3,865,655.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BRUCEVILLE-EDDY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

The following condensed financial statements focus on the Net Position (Table I) and Change in Net Position (Table II) of general revenues and significant expenses of the City's governmental and business-type activities.

Table I

NET POSITION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 3,077,665	\$ 2,565,095	\$ 2,711,315	\$ 2,648,891	\$ 5,788,980	\$ 5,213,986
Noncurrent and capital assets	1,132,829	1,137,155	4,426,095	4,551,307	5,558,924	5,688,462
Total assets	4,210,494	3,702,250	7,137,410	7,200,198	11,347,904	10,902,448
Deferred outflows	21,822	24,842	15,496	13,485	37,318	38,327
Total assets and deferred outflows	4,232,316	3,727,092	7,152,906	7,213,683	11,385,222	10,940,775
Other liabilities	51,184	83,597	137,327	210,656	188,511	294,253
Long-term liabilities	41,037	41,177	2,319,915	2,624,010	2,360,952	2,665,187
Total liabilities	92,221	124,774	2,457,242	2,834,666	2,549,463	2,959,440
Deferred inflows	274,440	75,124	37,976	34,961	312,416	110,085
Total liabilities and deferred inflows	366,661	199,898	2,495,218	2,869,627	2,861,879	3,069,525
Net Position:						
Net investment in capital assets	1,044,945	1,040,765	2,073,658	1,909,524	3,118,603	2,950,289
Restricted	180,993	70,754	399,955	379,957	580,948	450,711
Unrestricted	2,639,717	2,415,675	2,184,075	2,054,575	4,823,792	4,470,250
Total Net Position	<u>\$ 3,865,655</u>	<u>\$ 3,527,194</u>	<u>\$ 4,657,688</u>	<u>\$ 4,344,056</u>	<u>\$ 8,523,343</u>	<u>\$ 7,871,250</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BRUCEVILLE-EDDY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Table II

CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues						
Charges for services	\$ 408,608	\$ 523,357	\$ 1,718,844	\$ 1,776,738	\$ 2,127,452	\$ 2,300,095
Grants and contributions	93,225	588,900	-	-	93,225	588,900
General Revenues:						
Property tax	388,304	373,717	-	-	388,304	373,717
Sales tax	101,386	92,211	-	-	101,386	92,211
Other taxes	55,758	58,152	-	-	55,758	58,152
Investment earnings	3,200	16,192	3,321	16,908	6,521	33,100
Gain on sale of capital assets	-	2,800	-	-	-	2,800
Miscellaneous	159,376	60,813	1,863	1,932	161,239	62,745
Total Revenue	1,209,857	1,716,142	1,724,028	1,795,578	2,933,885	3,511,720
Expenses:						
General government	268,243	325,039	-	-	268,243	325,039
Public safety	579,911	558,980	-	-	579,911	558,980
Streets	22,542	44,600	-	-	22,542	44,600
Interest on long-term debt	700	1,536	-	-	700	1,536
Water and sewer	-	-	1,410,396	1,387,506	1,410,396	1,387,506
Total Expenses	871,396	930,155	1,410,396	1,387,506	2,281,792	2,317,661
Change in net position	338,461	785,987	313,632	408,072	652,093	1,194,059
Net position - beginning	3,527,194	2,741,207	4,344,056	3,935,984	7,871,250	6,677,191
Net position - ending	<u>\$ 3,865,655</u>	<u>\$ 3,527,194</u>	<u>\$ 4,657,688</u>	<u>\$ 4,344,056</u>	<u>\$ 8,523,343</u>	<u>\$ 7,871,250</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BRUCEVILLE-EDDY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

A large portion of the City's net position (37%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. 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.

An additional portion of the City's net position (7%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position, \$ 4,823,792, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the City is able to report positive balances in both categories of net position for the government as a whole.

For the year ended September 30, 2021, revenues from governmental activities totaled \$ 1,209,857. Charges for public safety services accounted for 34% of these revenues and property taxes accounted for 32% of the total.

For the year ended September 30, 2021, expenses for governmental activities totaled \$ 871,396. The City's three largest funded programs are for general government, public safety and streets.

Revenues of the City's business-type activities were \$ 1,724,028 for the year ended September 30, 2021. Expenses for the City's business-type activities were \$ 1,410,396. The City's largest business-type activities expense was the purchase of water.

THE CITY'S FUNDS

As the City completed the year, its governmental fund (as presented in the balance sheet on page 18) reported a fund balance of \$ 2,791,631, which is higher than last year's total of \$ 2,471,913.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2021, the City had \$ 5,408,636 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities, equipment and land. This amount represents a net decrease of \$ 160,347 due to current year purchases and contributions being less than depreciation and current year disposals. This year's major additions included:

Buildings and improvements	\$ 166,871
Water facilities	75,054
Land	8,354
Construction in progress	6,075
	<u>\$ 256,354</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BRUCEVILLE-EDDY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Debt

At year-end, the City had \$ 2,290,033 in bonds and notes outstanding versus \$ 2,618,694 last year. This decrease is due to the principal payments applied to the outstanding debt during fiscal year 2021.

More detailed information about the City's long-term liabilities is presented in the Notes to Financial Statements on pages 43 through 45.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered population growth and available resources from water, public safety and tax revenues when setting the fiscal year ending September 30, 2022 budget and tax rate.

The City adopted a \$ 2,537,302 combined budget for fiscal year ending September 30, 2022. It will be funded through property taxes, water and utility charges, and other local revenues.

If the City does not incur any unforeseen expenditures or reductions in revenue, current revenues should cover current expenses with no change estimated fund balance in the General Fund and no change in the Water Fund net position.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office at City of Bruceville-Eddy, 143 Wilcox Drive, # A, Bruceville-Eddy, Texas 76524.

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BASIC FINANCIAL STATEMENTS

CITY OF BRUCEVILLE-EDDY, TEXAS
STATEMENT OF NET POSITION
September 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 581,495	\$ 2,157,754	\$ 2,739,249
Investments	2,288,424	-	2,288,424
Receivables, net	13,893	169,430	183,323
Cash and cash equivalents, restricted	178,029	399,955	577,984
Internal balances	15,824	(15,824)	-
Net pension asset	87,884	62,404	150,288
Capital assets, not being depreciated:			
Land and improvements	649,610	559,183	1,208,793
Construction in progress	-	656,435	656,435
Capital assets, net of accumulated depreciation:			
Buildings and improvements	133,116	51,928	185,044
Water facilities	-	2,606,883	2,606,883
Machinery and equipment	61,698	489,262	550,960
Infrastructure	200,521	-	200,521
Total capital assets	<u>1,044,945</u>	<u>4,363,691</u>	<u>5,408,636</u>
Total Assets	4,210,494	7,137,410	11,347,904
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	13,283	9,433	22,716
Deferred amounts related to OPEB	<u>8,539</u>	<u>6,063</u>	<u>14,602</u>
Total Assets and Deferred Outflows of Resources	4,232,316	7,152,906	11,385,222

The accompanying notes are an integral part of the financial statements.

	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Accounts payable	12,318	32,734	45,052
State criminal costs and fees payable	25,173	-	25,173
Other accrued liabilities	13,693	5,563	19,256
Customer deposits	-	99,030	99,030
Noncurrent liabilities:			
Due within on year:			
Bonds and notes payable	-	319,944	319,944
Due in more than one year:			
Bonds and notes payable	-	1,970,089	1,970,089
Compensated absences	6,989	5,706	12,695
Net OPEB liability	34,048	24,176	58,224
Total Liabilities	92,221	2,457,242	2,549,463
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	49,945	35,465	85,410
Deferred amounts related to OPEB	3,537	2,511	6,048
Unavailable revenues	220,958	-	220,958
Total Liabilities and Deferred Inflows of Resources	366,661	2,495,218	2,861,879
<u>NET POSITION</u>			
Net investment in capital assets	1,044,945	2,073,658	3,118,603
Restricted for:			
Court technology and building security	35,606	-	35,606
Public safety	142,424	-	142,424
Child safety	2,963	-	2,963
Debt service	-	279,196	279,196
Capital projects	-	60,363	60,363
Customer deposits	-	60,396	60,396
Unrestricted	2,639,717	2,184,075	4,823,792
Total Net Position	\$ 3,865,655	\$ 4,657,688	\$ 8,523,343

CITY OF BRUCEVILLE-EDDY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government:			
Governmental activities:			
General government	\$ 268,243	\$ 7,352	\$ 93,225
Public safety	579,911	401,256	-
Highways and streets	22,542	-	-
Interest on long-term debt	700	-	-
Total governmental activities	<u>871,396</u>	<u>408,608</u>	<u>93,225</u>
Business-type activities:			
Water utility	1,406,862	1,718,844	-
Sewer	3,534	-	-
Total business-type activities	<u>1,410,396</u>	<u>1,718,844</u>	<u>-</u>
Total Primary Government	<u>\$ 2,281,792</u>	<u>\$ 2,127,452</u>	<u>\$ 93,225</u>

General Revenues:

- Property taxes
- Sales and miscellaneous taxes
- Franchise taxes
- Investment income
- Miscellaneous
- Total general revenues

Change in net position

Net Position - beginning of year

Net Position - end of year

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (167,666)	\$ -	\$ (167,666)
(178,655)	-	(178,655)
(22,542)	-	(22,542)
(700)	-	(700)
<u>(369,563)</u>	<u>-</u>	<u>(369,563)</u>
-	311,982	311,982
-	(3,534)	(3,534)
<u>-</u>	<u>308,448</u>	<u>308,448</u>
(369,563)	308,448	(61,115)
388,304	-	388,304
101,386	-	101,386
55,758	-	55,758
3,200	3,321	6,521
159,376	1,863	161,239
<u>708,024</u>	<u>5,184</u>	<u>713,208</u>
338,461	313,632	652,093
<u>3,527,194</u>	<u>4,344,056</u>	<u>7,871,250</u>
<u>\$ 3,865,655</u>	<u>\$ 4,657,688</u>	<u>\$ 8,523,343</u>

CITY OF BRUCEVILLE-EDDY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2021

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 581,495
Investments	2,288,424
Taxes receivable, net	13,893
Due from other funds	15,824
Cash and cash equivalents, restricted	<u>178,029</u>
Total Assets	<u><u>\$ 3,077,665</u></u>
<u>LIABILITIES</u>	
Accounts payable	\$ 12,318
State criminal costs and fees payable	25,173
Other accrued liabilities	<u>13,693</u>
Total Liabilities	<u>51,184</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred CLFRF grant revenue	210,246
Unavailable revenues - property taxes	13,892
Unavailable revenues - lease income	<u>10,712</u>
Total Deferred Inflows of Resources	<u>234,850</u>
<u>FUND BALANCES</u>	
Fund Balances:	
Restricted for:	
Court technology and building security	35,606
Public safety	142,424
Child safety	2,963
Unassigned	<u>2,610,638</u>
Total Fund Balance	<u>2,791,631</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 3,077,665</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF BRUCEVILLE-EDDY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
September 30, 2021

Total Fund Balance - Governmental Fund (Page 18) **\$ 2,791,631**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 649,610	
Buildings	229,340	
Equipment	516,761	
Infrastructure	363,885	
Accumulated depreciation	(714,651)	
Total capital assets	<u>\$ 1,044,945</u>	1,044,945

Net pension asset is not available to pay obligations in the current period and therefore is not reported in the funds. 87,884

Deferred outflows related to pension activity are not required to be reported in the funds but are required to be reported at the government-wide level. 13,283

Deferred outflows related to OPEB activity are not required to be reported in the funds but are required to be reported at the government-wide level. 8,539

Accrued vacation and comp time payable is not due and payable in the current period and therefore is not reported in the funds. (6,989)

Net OPEB liability is not due and payable in the current period and therefore is not reported in the funds. (34,048)

Deferred inflows related to pension activity are not required to be reported in the funds but are required to be reported at the government-wide level. (49,945)

Deferred inflows related to OPEB activity are not required to be reported in the funds but are required to be reported at the government-wide level. (3,537)

Delinquent taxes are recognized as revenue in the period for which levied in the Government-Wide financial statements, but are reported as deferred inflows of resources in the fund financial statements. 13,892

Net Position of Governmental Activities (Page 15) **\$ 3,865,655**

The accompanying notes are an integral part of the financial statements.

CITY OF BRUCEVILLE-EDDY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended September 30, 2021

	<u>General Fund</u>
<u>Revenues</u>	
Ad valorem tax	\$ 392,230
Sales tax	101,386
Franchise tax	55,758
Fines and forfeitures	401,256
Operating grant revenue	93,225
Licenses and permits	7,352
Interest income	3,200
Lease and miscellaneous income	159,376
	<u>1,213,783</u>
Total Revenues	
<u>Expenditures</u>	
Current:	
General government	325,358
Public safety	544,716
Streets	4,345
Debt service:	
Principal	18,941
Interest and fiscal charges	705
	<u>894,065</u>
Total Expenditures	
Excess of revenues over expenditures	<u>319,718</u>
Net change in fund balance	319,718
Fund Balance- beginning of year	<u>2,471,913</u>
Fund Balance- end of year	<u><u>\$ 2,791,631</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BRUCEVILLE-EDDY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021**

Net Change in Fund Balance - Total Governmental Fund (Page 20) \$ 319,718

Amounts reported for governmental activities in the statement of activities (pages 16-17) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital outlay	\$ 53,379	
Depreciation expense	<u>(68,145)</u>	
	<u>\$ (14,766)</u>	(14,766)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes not collected	\$ 13,892	
Less prior year	<u>(17,819)</u>	
	<u>\$ (3,927)</u>	(3,927)

The net pension liability and related deferred outflows/inflows per GASB 68 is accrued at the government-wide level but not at the fund level. This is the current year change related to the net pension liability and related deferred outflows/inflows, reported as expense in the statement of activities.

17,915

The net OPEB liability and related deferred outflows/inflows per GASB 75 is accrued at the government-wide level but not at the fund level. This is the current year change related to the net OPEB liability and related deferred outflows/inflows, reported as expense in the statement of activities.

580

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however, it does not have an effect on net position.

18,941

Change in Net Position of Governmental Activities (Page 17)

\$ 338,461

The accompanying notes are an integral part of the financial statements.

CITY OF BRUCEVILLE-EDDY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2021

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 2,157,754	\$ -	\$ 2,157,754
Accounts receivable, net	169,430	-	169,430
Total current assets	<u>2,327,184</u>	<u>-</u>	<u>2,327,184</u>
Noncurrent assets:			
Cash and cash equivalents, restricted	399,955	-	399,955
Net pension asset	62,404	-	62,404
Due from other funds	738,218	-	738,218
Capital assets, net	<u>3,624,335</u>	<u>739,356</u>	<u>4,363,691</u>
Total noncurrent assets	<u>4,824,912</u>	<u>739,356</u>	<u>5,564,268</u>
Total assets	7,152,096	739,356	7,891,452
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to Pensions	9,433	-	9,433
Deferred amounts related to OPEB	<u>6,063</u>	<u>-</u>	<u>6,063</u>
Total Assets and Deferred Outflows of Resources	7,167,592	739,356	7,906,948
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	32,734	-	32,734
Accrued liabilities	5,563	-	5,563
Customer deposits	99,030	-	99,030
Due to other funds	-	754,042	754,042
Liabilities payable from restricted assets:			
Bonds and notes payable - current portion	<u>319,944</u>	<u>-</u>	<u>319,944</u>
Total current liabilities	<u>457,271</u>	<u>754,042</u>	<u>1,211,313</u>
Noncurrent liabilities:			
Compensated absences	5,706	-	5,706
Net OPEB liability	24,176	-	24,176
Liabilities payable from restricted assets:			
Bonds and notes payable	<u>1,970,089</u>	<u>-</u>	<u>1,970,089</u>
Total noncurrent liabilities	<u>1,999,971</u>	<u>-</u>	<u>1,999,971</u>
Total Liabilities	2,457,242	754,042	3,211,284

CITY OF BRUCEVILLE-EDDY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2021

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	35,465	-	35,465
Deferred amounts related to OPEB	2,511	-	2,511
Total Liabilities and Deferred Inflows of Resources	2,495,218	754,042	3,249,260
<u>NET POSITION</u>			
Net investment in capital assets	1,334,302	739,356	2,073,658
Restricted for:			
Debt service	279,196	-	279,196
Capital projects	60,363	-	60,363
Customer deposits	60,396	-	60,396
Unrestricted (deficit)	2,938,117	(754,042)	2,184,075
Total Net Position	<u>\$ 4,672,374</u>	<u>\$ (14,686)</u>	<u>\$ 4,657,688</u>

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

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
<u>Operating Revenues</u>			
Water	\$ 1,495,020	\$ -	\$ 1,495,020
Garbage	129,931	-	129,931
Water tap fees	53,180	-	53,180
Other operating revenues	40,713	-	40,713
Total Operating Revenues	1,718,844	-	1,718,844
<u>Operating Expenses</u>			
Water purchases	354,739	-	354,739
Water system utilities	97,909	-	97,909
Water system supplies	32,097	-	32,097
Repairs and maintenance	14,218	-	14,218
Other water system expenses	53,004	-	53,004
Personnel and support	222,495	-	222,495
Professional fees	58,019	3,459	61,478
Administrative expenses	105,769	75	105,844
Garbage collection fees	123,453	-	123,453
Depreciation and amortization	235,064	-	235,064
Total Operating Expenses	1,296,767	3,534	1,300,301
Operating Income	422,077	(3,534)	418,543
<u>Nonoperating Revenues (Expenses)</u>			
Interest income	3,321	-	3,321
Interest expense	(109,955)	-	(109,955)
Donations emergency services income	1,863	-	1,863
Donations emergency services expense	(1,848)	-	(1,848)
Miscellaneous income	1,708	-	1,708
Total Nonoperating Revenues (Expenses)	(104,911)	-	(104,911)
Change in Net Position	317,166	(3,534)	313,632
Net Position - beginning of year	4,355,208	(11,152)	4,344,056
Net Position - end of year	\$ 4,672,374	\$ (14,686)	\$ 4,657,688

The accompanying notes are an integral part of the financial statements.

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

	Business-Type Activities Water and Sewer Funds
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 1,754,555
Cash paid to suppliers	(930,570)
Cash paid to employees	(236,240)
Net Cash Provided by Operating Activities	<u>587,745</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	
Contribution income	1,863
Contribution expense	(1,848)
Miscellaneous income	1,708
Net Cash Provided by Non-Capital Financing Activities	<u>1,723</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of capital assets	(89,483)
Payments on long-term bonds	(309,715)
Interest paid	(109,955)
Net Cash Used by Capital and Related Financing Activities	<u>(509,153)</u>
<u>Cash Flows from Investing Activities</u>	
Interest received	3,321
Increase in restricted cash	(19,998)
Net Cash Used by Investing Activities	<u>(16,677)</u>
Net Increase in Cash and Cash Equivalents	63,638
Cash and Cash Equivalents - beginning of year	<u>2,094,116</u>
Cash and Cash Equivalents - end of year	<u>\$ 2,157,754</u>

The accompanying notes are an integral part of the financial statements.

	Business-Type Activities Water and Sewer Funds
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	\$ 418,543
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	235,064
Decrease in accounts receivable	21,212
Increase in net pension asset	(20,369)
Increase in due from other funds	(17,963)
Increase in deferred outflows	(2,011)
Decrease in accounts payable	(30,062)
Decrease in accrued liabilities	(57,766)
Increase in due to other funds	17,963
Increase in customer deposits	14,499
Increase in net OPEB liability	5,620
Increase in deferred inflows	3,015
Total Adjustments	<u>169,202</u>
Net Cash Provided by Operating Activities	<u><u>\$ 587,745</u></u>

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NOTES TO FINANCIAL STATEMENTS

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**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Bruceville-Eddy, Texas (the City) was incorporated in 1974 for the purpose of providing public safety, water and sanitation services, planning and general administrative services. The City's present population is approximately 1,490, and it serves approximately 1,900 metered customers.

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements of the City.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of a "management's discussion and analysis" (MD&A). This analysis is similar to the analysis the private sector provides in their annual reports.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Obligations Account Group (such as building and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure. In addition to the government-wide financial statements, the City has prepared governmental fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the City's General Fund, the City's major governmental fund, is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by GASB Statement No. 34.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of the government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City's non-fiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues. Business-type activities include programs supported primarily by water revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include water payments, police fines, etc. If revenue is not program revenue, it is general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet. All interfund transactions between governmental funds are eliminated on the government-wide statements.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after period end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

D. FUND ACCOUNTING

The City reports the following major governmental fund:

General Fund - 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 City reports the following major proprietary funds:

Water Fund and Sewer Fund - used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, cost incurred and/or net income is necessary for management accountability.

Reconciliation of Government-Wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net position for governmental activities as shown on the government-wide statement of net position is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. A summary reconciliation of the difference between net changes in fund balances as reflected on the governmental funds statement of revenues, expenditures and changes in fund balances and change in net position for governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of revenues, expenditures and changes in fund balances. The revenue and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective for financial statements for periods beginning after June 15, 2010, requires governmental fund balances to be reported in one of five classifications, replacing the previous classifications of reserved, unreserved, and designated. These five classifications are nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balances are either not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balances have constraints imposed either 1) by law through constitutional provisions or enabling legislation or 2) by creditors, grantors, contributors, or laws or regulations of other governments. Committed fund balances represent funds set aside formally by the City Council for specific purposes or by contract. Assigned fund balances are earmarked for specific purposes by the City Council, but are neither restricted nor committed. These balances represent tentative management plans that are subject to change. Unassigned fund balance is the residual classification for the general fund for which the previous classifications do not apply. When different classifications of funds are available for expenditure, the City considers the most restrictive classification amount to have been spent first.

The following is a list of fund balance restrictions used by the City and a description of each:

Fund Balance Restrictions:

Debt Service- Funds restricted for the retirement of general long-term debt.

Court Technology and Building Security- Funds restricted, from specific court fees, for the purchase of goods and services that will benefit the court.

Public Safety- Fund restricted, from criminal asset forfeiture programs, to be used only by and for the benefit of the police department.

Child Safety- Funds restricted, from specific court fees, to be used to enhance child safety.

Capital Projects- Funds restricted for use in current and future construction projects.

Customer Deposits- Funds restricted to disbursements for the application to customer account balances or refunds to customer.

E. ASSETS, LIABILITIES AND NET POSITION

1. Deposits and Investments

The government'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.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

2. *Receivables*

Accounts and property tax receivables are shown net of any allowance for uncollectible accounts. Property taxes receivable for the governmental fund types, which have been remitted within sixty days subsequent to year-end, are considered measurable and available and recognized as revenues. All other property taxes are offset by deferred resources and, accordingly, have not been recorded as revenue.

3. *Restricted Assets*

Restricted assets are liquid assets that have third party (statutory, bond covenant or granting agency) limitations on their use. Certain resources set aside for the repayment of revenue bonds are classified as restricted assets on the Balance Sheet and the Statement of Net Position, because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Customer deposits held by the City before any services were supplied are restricted to the service for which the deposits were collected.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 2,000 and an estimated useful life in excess of three years. 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.

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.

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

<u>Category</u>	<u>Life</u>
Buildings and improvements	10-30 years
Machinery and equipment	3-10 years
Water facilities	30 years
Infrastructure	20 years

5. *Long-Term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts 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. Issuance costs are expensed in the period incurred.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

6. *Net Position*

Net Position in government-wide and proprietary financial statements are classified as net investment in capital assets, restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

7. *Fund Balance*

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority to be reported as committed; amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned Fund Balance – Amounts that do not meet the criteria above and are available for any purpose; positive amounts are reported in the General Fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance, the highest level of action. This is typically done through adoption of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is established by City Council by passage of a resolution either through adoption or amendment of the budget as intended for specific purposes.

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

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

8. *Estimates*

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Specifically, the actuarial calculations used to determine the annual required contributions and related liabilities of the City's retirement plans and post-employment obligations are based on assumptions about the possibility of events far into the future. Accordingly, actual results could differ from those estimates.

9. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and 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 contribution 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.

10. *Postemployment Benefits Other Than Pensions (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town of Boxelder's Post Employment Health Insurance Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable, in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan.

11. *Deferred outflows and inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, the City has two items that qualify for reporting in this category related to the City's pension and OPEB plans through TMRS.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the City has five items that qualify for reporting in this category. They are amounts related to deferred property tax, pension and OPEB plans through TMRS, deferred lease income and deferred grant revenues.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

F. UPCOMING ACCOUNTING PRONOUNCEMENTS

The City has reviewed GASB pronouncements which become effective in future years, and notes the following statements are applicable to the City:

GASB Statement No. 87, Leases, requires 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

II. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Additional Contractual Provisions governing deposits and investments are as follows:

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Policies Governing Deposits and Investments

1. Foreign Currency Risk – The City's deposits and investments are not exposed to foreign currency risk.
2. Custodial Credit Risk – The City's policy is to be collateralized. The City was fully collateralized during the period.
3. Interest Rate Risk – The City has no debt securities that have interest rate risk.
4. Other Credit Risk Exposure – The City does not invest in debt securities.
5. Concentration Risk – The City's deposits and investments are exposed to concentration risk in that they are all deposited with the same bank.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Deposits Credit Risk

The cash deposits and savings accounts held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits, which are insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Deposits, which are collateralized with securities, held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the City's cash deposits are classified as Category 1.

Deposits are stated at cost plus accrued interest and the carrying amounts are displayed on the balance sheet as cash and cash equivalents. Following is a summary of the City's deposits, by category:

1. Insured by FDIC	\$ 4,517,727
2. Collateralized by pledged securities	1,120,373
3. Uninsured and uncollateralized	<u>-</u>
 Total Bank Balance	 <u><u>\$ 5,638,100</u></u>
 Carrying Amount	 <u><u>\$ 5,605,657</u></u>

B. RESTRICTED CASH

The City had restricted cash of \$ 399,955 in the Water Fund and \$ 178,029 in the General Fund as of September 30, 2021. The restrictions stem from the need to protect customer utility deposits, to set aside a reserve for the payment of interest and principal on bonded indebtedness, and to set aside monies that are restricted by revenue sources as to use.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

C. RECEIVABLES

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

	<u>General Fund</u>	<u>Water Fund</u>
Tax receivables	\$ 46,533	\$ -
Less: allowance for uncollectible accounts	(32,640)	-
Tax receivable, net	<u>13,893</u>	<u>-</u>
Accounts receivable	-	180,701
Less: allowance for uncollectible accounts	<u>-</u>	<u>(11,271)</u>
Total Receivables	<u><u>\$ 13,893</u></u>	<u><u>\$ 169,430</u></u>

D. INTERFUND RECEIVABLES AND PAYABLES

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. The individual interfund receivables and payable balances at September 30, 2021, were:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 15,824	\$ -
Water Fund	738,218	-
Sewer Fund	<u>-</u>	<u>754,042</u>
Total All Funds	<u><u>\$ 754,042</u></u>	<u><u>\$ 754,042</u></u>

CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

E. CAPITAL ASSETS

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

	Beginning Balance	Additions	Reclassifications (Deletions)	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 649,610	\$ -	\$ -	\$ 649,610
Construction in progress	60,117	-	(60,117)	-
Total capital assets, not being depreciated	<u>709,727</u>	<u>-</u>	<u>(60,117)</u>	<u>649,610</u>
Capital assets, being depreciated:				
Buildings and improvements	115,844	113,496	-	229,340
Machinery and equipment	516,761	-	-	516,761
Infrastructure	363,885	-	-	363,885
Total capital assets, being depreciated	<u>996,490</u>	<u>113,496</u>	<u>-</u>	<u>1,109,986</u>
Less accumulated depreciation for:				
Buildings and improvements	(89,939)	(6,285)	-	(96,224)
Machinery and equipment	(411,397)	(43,666)	-	(455,063)
Infrastructure	(145,170)	(18,194)	-	(163,364)
Total accumulated depreciation	<u>(646,506)</u>	<u>(68,145)</u>	<u>-</u>	<u>(714,651)</u>
Total capital assets, being depreciated, net	<u>349,984</u>	<u>45,351</u>	<u>-</u>	<u>395,335</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 1,059,711</u>	<u>\$ 45,351</u>	<u>\$ (60,117)</u>	<u>\$ 1,044,945</u>

CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Beginning Balance	Additions	Reclassifications (Deletions)	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 550,829	\$ 8,354	\$ -	\$ 559,183
Construction in progress	703,735	6,075	(53,375)	656,435
Total capital assets, not being depreciated	<u>1,254,564</u>	<u>14,429</u>	<u>(53,375)</u>	<u>1,215,618</u>
Capital assets, being depreciated:				
Buildings and improvements	131,738	53,375	-	185,113
Water facilities	5,817,890	75,054	-	5,892,944
Machinery and equipment	900,963	-	-	900,963
Total capital assets, being depreciated	<u>6,850,591</u>	<u>128,429</u>	<u>-</u>	<u>6,979,020</u>
Less accumulated depreciation for:				
Buildings and improvements	(130,906)	(2,279)	-	(133,185)
Water facilities	(3,136,383)	(149,678)	-	(3,286,061)
Machinery and equipment	(328,594)	(83,107)	-	(411,701)
Total accumulated depreciation	<u>(3,595,883)</u>	<u>(235,064)</u>	<u>-</u>	<u>(3,830,947)</u>
Total capital assets, being depreciated, net	<u>3,254,708</u>	<u>(106,635)</u>	<u>-</u>	<u>3,148,073</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 4,509,272</u>	<u>\$ (92,206)</u>	<u>\$ (53,375)</u>	<u>\$ 4,363,691</u>

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

Governmental Activities:	
General government	\$ 6,285
Public safety	43,666
Highways and streets	18,194
Total Depreciation Expense - Governmental Activities	<u>\$ 68,145</u>
Business-Type activities:	
Water and sewer	\$ 235,064
Total Depreciation Expense - Business-Type Activities	<u>\$ 235,064</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

F. LONG-TERM DEBT

The City's long-term debt at September 30, 2021 is comprised of the following individual issues:

Proprietary Water Fund Revenue Refunding Bonds:

\$ 371,000 Series 2011 Certificates of Obligation, maturing September 2025; 15 certificates with interest rates varying from 5.5% to 5.875%; annual principal payments ranging from \$ 17,000 to \$ 35,000 are due per the bonds' maturity dates schedule. Interest is due each March and September; secured by the revenues of the City's water system.	\$ 128,000
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Proprietary Water Fund Revenue Bonds:

\$ 731,000 Series 2011 Certificates of Obligation, maturing September 2025; 15 certificates with interest rates varying from 5.5% to 5.875%; annual principal payments ranging from \$ 33,000 to \$ 70,000 are due per the bonds' maturity dates schedule. Interest is due each March and September; secured by the revenues of the City's water system.	258,000
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\$ 1,883,000 Series 2013 Certificates of Obligation, maturing September 2028; interest rates varying from 3.25% to 4.25%; annual principal payments ranging from \$ 79,000 to \$ 254,000 are due per the bonds' maturity dates schedule. Interest is due each March and September; secured by the revenues of the City's water system	1,174,000
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\$ 395,000 Series 2015 Certificates of Obligation, maturing September 2030; interest rate at 4.25%; annual principal payments ranging from \$ 30,000 to \$ 41,000 are due per the bonds' maturity dates schedule. Interest is due each March and September; secured by the revenues of the City's water system.	333,000
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\$ 489,200 water meter system loan with Government Capital Corporation; maturing March 2025; payable in annual installments of \$106,736; interest at 2.97%; secured by ad valorem tax revenues	397,033
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Total Proprietary Long-Term Debt	2,290,033
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Total Long-Term Debt	\$ 2,290,033
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CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Debt service requirements to maturity for the above long-term debt are as follows:

Water Revenue Refunding Bonds - Series 2011

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 29,000	\$ 7,520	\$ 36,520
2023	31,000	5,816	36,816
2024	33,000	4,006	37,006
2025	35,000	2,056	37,056
Total	<u>\$ 128,000</u>	<u>\$ 19,398</u>	<u>\$ 147,398</u>

Water Revenue Bonds - Series 2011

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 59,000	\$ 15,158	\$ 74,158
2023	63,000	11,691	74,691
2024	66,000	8,012	74,012
2025	70,000	4,113	74,113
Total	<u>\$ 258,000</u>	<u>\$ 38,974</u>	<u>\$ 296,974</u>

Water Revenue Bonds - Series 2013

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 104,000	\$ 48,525	\$ 152,525
2023	109,000	44,625	153,625
2024	113,000	40,375	153,375
2025	118,000	35,745	153,745
2026	233,000	31,025	264,025
2027-2028	497,000	31,947	528,947
Total	<u>\$ 1,174,000</u>	<u>\$ 232,242</u>	<u>\$ 1,406,242</u>

Water Revenue Bonds - Series 2015

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 33,000	\$ 14,153	\$ 47,153
2023	34,000	12,750	46,750
2024	35,000	11,305	46,305
2025	36,000	9,818	45,818
2026	37,000	6,715	43,715
2027-2030	158,000	10,285	168,285
Total	<u>\$ 333,000</u>	<u>\$ 65,026</u>	<u>\$ 398,026</u>

Water Fund Note Payable - Water Meter System

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 94,944	\$ 11,792	\$ 106,736
2023	97,764	8,972	106,736
2024	100,668	6,068	106,736
2025	103,657	3,078	106,735
Total	<u>\$ 397,033</u>	<u>\$ 29,910</u>	<u>\$ 426,943</u>

CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

There are a number of limitations and restrictions contained in the various bond indentures including, among others, the requirements of the payment of principal and interest from the ad valorem tax levy or from the net revenues of the water fund and the provision of certain reserve funds. The City is in compliance with all such significant financial limitations and restrictions. There is no specific maximum debt limit established by law for the City, therefore, the limit is governed by the City's ability to levy and collect taxes to service the debt.

Changes in long-term liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
Notes Payable	\$ 18,946	\$ -	\$ (18,946)	\$ -	\$ -
Compensated absences	6,989	-	-	6,989	-
Net OPEB liability	34,188	-	(140)	34,048	-
Governmental Activity Long-Term Liabilities	<u>\$ 60,123</u>	<u>\$ -</u>	<u>\$ (19,086)</u>	<u>\$ 41,037</u>	<u>\$ -</u>
Business-Type Activities:					
Revenue Bonds Payable	\$ 2,108,000	\$ -	\$ (215,000)	\$ 1,893,000	\$ 225,000
Notes Payable	491,748	-	(94,715)	397,033	94,944
Compensated absences	5,706	-	-	5,706	-
Net OPEB liability	18,556	5,620	-	24,176	-
Business-Type Activity Long-Term Liabilities	<u>\$ 2,624,010</u>	<u>\$ 5,620</u>	<u>\$ (309,715)</u>	<u>\$ 2,319,915</u>	<u>\$ 319,944</u>
Total Long-Term Liabilities	<u>\$ 2,684,133</u>	<u>\$ 5,620</u>	<u>\$ (328,801)</u>	<u>\$ 2,360,952</u>	<u>\$ 319,944</u>

G. PROPERTY TAXES

The appraisal of property within the City is the responsibility of the McLennan County Appraisal District (the District). The District is required under the Property Tax Code to assess all property within the District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the District must be reviewed every four years.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. The net assessed value, net of exemptions, upon which the fiscal year ended September 30, 2021, levy was based was \$ 69,578,581. The tax rate for the 2020 tax roll was \$ 0.50 per \$ 100 of assessed value.

Property taxes not collected in the current period are considered not to be available, and therefore, are not accrued as revenue in the current period. Since the City recognizes taxes as revenues only when collected, an allowance for current and delinquent taxes receivable at the end of the period has been established. On the government-wide statements, the amount deferred in the fund statements is recognized as revenue.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

The City has contracted with McLennan County tax collector's office to collect ad valorem taxes on behalf of the City. The City paid the tax collector \$ 3,712 for these services during the fiscal year ended September 30, 2021.

H. EMPLOYEE RETIREMENT PLAN

Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (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 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.tmrs.com.

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

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 government TMRS.

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

A summary of plan provisions for the City are as follows:

Employee deposit rate	7.00%
Matching ratio (city to employee)	1.5 to 1
Years required for vesting	5
Retirement eligibility (Age/Service)	60/5, 0/25
Updated service credit	100% Repeating Transfers
Annuity increase (to retirees)	0% of CPI Repeating
Supplemental death benefit to active employees	Yes
Supplemental death benefit to retirees	Yes

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Employees Covered by Benefit Terms.

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

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	24
Active employees	12
Total	44

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee total compensation 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.10% and 5.72% in calendar years 2021 and 2020, respectively. Accordingly, contributions to TMRS for the fiscal year ended September 30, 2021, were \$ 26,413 and were equal to the required contributions.

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	2.50% 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

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Salary increases are 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 2020 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitant, 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 experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (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).

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
Total	100.0%	

CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Discount Rate

The discount rate used to measure the Total Pension Asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that employees and employer contributions would 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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at December 31, 2019	\$ 1,176,674	\$ 1,296,153	\$ (119,479)
Changes for the year:			
Service cost	66,573	-	66,573
Interest	79,528	-	79,528
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(12,380)	-	(12,380)
Changes of assumptions	-	-	-
Contributions - employer	-	30,175	(30,175)
Contributions - employee	-	36,927	(36,927)
Net investment income	-	98,090	(98,090)
Benefit payments, including refunds of employee contributions	(63,550)	(63,550)	-
Administrative expense	-	(637)	637
Other	-	(25)	25
Net changes	70,171	100,980	(30,809)
Balance at December 31, 2020	<u>\$ 1,246,845</u>	<u>\$ 1,397,133</u>	<u>\$ (150,288)</u>

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

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

	1% Decrease	Current Single Rate	1% Increase
	5.75%	Assumption 6.75%	7.75%
City's net pension (asset) liability	\$ 38,068	\$ (150,288)	\$ (303,107)

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at *trms.com*.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2021, the City recognized pension expense of (\$ 9,794). 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	\$ 2,390	\$ 48,299
Changes in actuarial assumptions	596	-
Difference between projected and actual investment earnings	-	37,111
Sub-total	2,986	85,410
Contributions subsequent to the measurement date	19,730	-
Total	<u>\$ 22,716</u>	<u>\$ 85,410</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$ 19,730 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2020 (i.e., recognized in the City's financial statement September 30, 2021).

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30,	Net Deferred Outflows (Inflows) of Resources
2022	\$ (32,490)
2023	(14,818)
2024	(32,997)
2025	(2,119)
2026	-
Thereafter	-
Total	<u>\$ (82,424)</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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I. SUPPLEMENTAL DEATH BENEFITS FUND

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under, and discontinue participation in this fund by adopting an ordinance before November 1, or any year to be effective the following January 1. The SDBF does not meet the definition of a trust under GASB No. 75 since it does not accumulate assets in a trust, and as such is considered to be a single-employer unfunded OPEB plan.

Benefit Providers

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$ 7,500; this coverage is an "other post-employment benefit," or OPEB. The City offers supplemental death benefit to both active employees and retirees for plan years 2021 and 2020.

Employees Covered by Benefit Terms

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

Inactive employees currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	4
Active employees	12
Total	22

Contributions

The City contributes to the SDBF at a contractually required rate as determine by an annual actuarial valuation, which was 0.30% for 2021 and 0.17% for 2020, of which 0.24% and 0.06%, respectively, represented the retiree-only portion, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2021 and 2020 were \$ 1,359 and \$ 950, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net Other Post Employment Benefits Liability

Actuarial Assumptions

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

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

The Mortality Experience Investigation Study covering 2009 through 2011 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Inflation	2.50% per year
Overall payroll growth	3.50% to 11.50% per year including inflation
Discount rate	2.00%

Changes in the Net Other Post Employment Benefits Liability

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at December 31, 2019	\$ 52,744
Changes for the year:	
Service cost	1,846
Interest on Total OPEB Liability	1,471
Changes of benefit terms	-
Difference between expected and actual experience	(4,568)
Changes of assumptions	7,048
Benefit payments, including refunds of employee contributions	(317)
Net changes	<u>5,480</u>
Balance at December 31, 2020	<u><u>\$ 58,224</u></u>

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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 current 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. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity's Index's "20-Year Municipal GO AA Index".

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB liability	\$ 69,941	\$ 58,224	\$ 49,151

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2021, the City recognized OPEB expense of \$ 4,972. 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 in actual vs assumption	\$ 65	\$ 4,463
Changes in assumptions and other inputs	13,609	1,585
Contributions subsequent to the measurement date	928	-
Total	<u>\$ 14,602</u>	<u>\$ 6,048</u>

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$ 928 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2020 (i.e., recognized in the City's financial statement September 30, 2021). Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30,	Net Deferred Outflows (Inflows) of Resources
2022	\$ 1,655
2023	1,655
2024	1,506
2025	1,320
2026	1,490
Thereafter	-
Total	<u>\$ 7,626</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

J. COMMITMENTS AND CONTINGENCIES

Water Purchase Agreement

The City has entered into a long-term agreement to purchase water from a water supply company. The contract requires the City to take and/or pay for a minimum quantity of water. The cost of water per gallon is based each year on the amount the water supply corporation needs to recover all operation and maintenance expenses and debt service of the system (i.e. its annual requirement). The water supply company's net annual requirement divided by all contracting parties' minimum take (annual water purchases in gallons) determines the rate per gallon each year. Based on the estimated annual requirements of the water supply company (estimated \$ 3.20 per thousand gallons) and the minimum take (105,216,000 gallons) for the City; the City is committed to pay an estimated \$ 336,696 for water during the fiscal year ending September 30, 2021, under this contract.

K. TAX ABATEMENTS

During fiscal year 2017, the City entered into a property tax abatement agreement with Eagles' Landing Restaurant & Grill, LLC (the Company). As a part of this agreement, the City agreed to reimburse the Company an amount equal to one hundred percent (100%) of the ad valorem property taxes paid by the Company, assessed by and payable to the City for the property. Such reimbursements are available for each taxable year during the Incentive Period. The Incentive Period is the period of time beginning on Commencement of the agreement, August 15, 2017, and ending on the earlier of (1) the date on which sewer service is available at the location of the Company, or (2) the conclusion of five (5) operational years.

For the years ended September 30, 2021 and 2020, the City abated property taxes totaling \$ 779 and \$ 720, respectively, in relation to this agreement.

L. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined other governments in Texas to form the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability, property and workers' compensation coverage. The City pays a quarterly contribution to the pool for its insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report, which can be obtained by writing to the Texas Municipal League Intergovernmental Risk Pool, 1821 Rutherford Lane, Austin, Texas 78754.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

M. COMPENSATED ABSENCES

Employees accrue vacation leave based on the number of years employed up to a maximum of 20 days per year. The accrual year starts with the date employee starts full-time and subsequent anniversary dates. Employees may carry over earned vacation past the accrual year with approval of Mayor and Council. However, the accrual is not to exceed forty days beyond the end of the fiscal year. Upon separation from service, employees are paid for any earned and unused vacation time. Vested vacation is recorded in the proprietary fund as a liability and expense and in the government fund as a fund liability and expenditure, if payable from current resources. The value of the earned and unused portion of governmental compensated absences at year-end is reported as a governmental activity non-current liability.

N. SUBSEQUENT EVENTS

Management has reviewed and evaluated subsequent events through December 13, 2021, the date of the independent auditor's report.

On August 26, 2021, the City authorized the issuance of Combination Tax and Revenue Certificates of Obligation with a maximum principal amount of \$ 5,861,000 to finance certain capital expenditures related to the sewer project.

On November 16, 2021, the City approved the purchase of a police vehicle in the amount of \$ 51,341.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF BRUCEVILLE-EDDY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - TMRS PENSION PLAN
(UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (c)=(a/b)	Unfunded (Over-funded) AAL (UAAL) (d)=(b-a)	Covered Payroll (e)	UAAL as a Percentage of Covered Payroll (d)/(e)
12/31/18	\$ 1,205,383	\$ 1,187,514	101.5%	\$ (17,869)	\$ 627,274	-2.8%
12/31/19	\$ 1,257,111	\$ 1,176,674	106.8%	\$ (80,437)	\$ 602,118	-13.4%
12/31/20	\$ 1,347,111	\$ 1,246,845	108.0%	\$ (100,266)	\$ 527,523	-19.0%

See independent auditor's report.

CITY OF BRUCEVILLE-EDDY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAST SEVEN FISCAL YEARS
(UNAUDITED)

Measurement Date December 31,	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 54,818	\$ 59,965	\$ 70,311
Interest (on the total pension liability)	52,962	57,485	62,206
Changes of benefit terms	-	-	-
Difference between expected and actual experience	6,337	(2,980)	14,860
Changes of assumptions	-	28,121	-
Benefit payments, including refunds of employee contributions	<u>(59,705)</u>	<u>(44,461)</u>	<u>(50,341)</u>
Net change in total pension liability	54,412	98,130	97,036
Total pension liability - beginning	<u>759,045</u>	<u>813,457</u>	<u>911,587</u>
Total pension liability - ending (a)	<u><u>\$ 813,457</u></u>	<u><u>\$ 911,587</u></u>	<u><u>\$ 1,008,623</u></u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 11,011	\$ 22,932	\$ 24,767
Contributions - employee	31,687	34,154	38,785
Net investment income	50,496	1,351	62,762
Benefit payments, including refunds of employee contributions	(59,705)	(44,461)	(50,341)
Administrative expense	(527)	(823)	(708)
Other	<u>(43)</u>	<u>(41)</u>	<u>(38)</u>
Net change in plan fiduciary net position	32,919	13,112	75,227
Plan fiduciary net position - beginning	<u>882,942</u>	<u>915,861</u>	<u>928,973</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 915,861</u></u>	<u><u>\$ 928,973</u></u>	<u><u>\$ 1,004,200</u></u>
City's net pension liability (asset) - ending (a) - (b)	<u><u>\$ (102,404)</u></u>	<u><u>\$ (17,386)</u></u>	<u><u>\$ 4,423</u></u>
Plan fiduciary net position as a percentage of the total pension liability	112.59%	101.91%	99.56%
Covered-employee payroll	\$ 452,668	\$ 487,917	\$ 554,066
City's net pension liability (asset) as a percentage of covered-employee payroll	-22.62%	-3.56%	0.80%

Notes to Schedule:

10 years of information is required to be provided in this schedule, but information prior to 2014 is not available.

See independent auditor's report.

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 72,681	\$ 78,723	\$ 77,613	\$ 66,573
69,034	74,069	79,197	79,528
-	-	-	-
(18,354)	6,329	(62,632)	(12,380)
-	-	1,052	-
(44,461)	(59,130)	(106,070)	(63,550)
78,900	99,991	(10,840)	70,171
1,008,623	1,087,523	1,187,514	1,176,674
<u>\$ 1,087,523</u>	<u>\$ 1,187,514</u>	<u>\$ 1,176,674</u>	<u>\$ 1,246,845</u>
\$ 30,179	\$ 34,245	\$ 31,551	\$ 30,175
40,315	43,909	42,148	36,927
139,115	(34,884)	177,542	98,090
(44,461)	(59,130)	(106,070)	(63,550)
(721)	(677)	(1,006)	(637)
(37)	(34)	(31)	(25)
164,390	(16,571)	144,134	100,980
1,004,200	1,168,590	1,152,019	1,296,153
<u>\$ 1,168,590</u>	<u>\$ 1,152,019</u>	<u>\$ 1,296,153</u>	<u>\$ 1,397,133</u>
<u>\$ (81,067)</u>	<u>\$ 35,495</u>	<u>\$ (119,479)</u>	<u>\$ (150,288)</u>
107.45%	97.01%	110.15%	112.05%
\$ 575,922	\$ 627,274	\$ 602,118	\$ 527,523
-14.08%	5.66%	-19.84%	-28.49%

**CITY OF BRUCEVILLE-EDDY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
LAST SEVEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year Ended September 30,	2015	2016	2017	2018	2019	2020	2021
Actuarially Determined Contribution	\$ 20,175	\$ 23,518	\$ 27,827	\$ 33,936	\$ 35,535	\$ 31,743	\$ 26,413
Contributions in relation to the actuarially determined contribution	20,175	23,518	27,827	33,936	35,535	31,743	26,413
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 481,101	\$ 520,306	\$ 552,658	\$ 628,394	\$ 613,795	\$ 568,158	\$ 503,699
Contributions as a percentage of covered employee payroll	4.19%	4.52%	5.04%	5.40%	5.79%	5.59%	5.24%

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Other Information:

Notes There were no benefit changes during the year.

10 years of information is required to be provided in this schedule, but information prior to 2015 is not available.

See independent auditor's report.

CITY OF BRUCEVILLE-EDDY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS
(UNAUDITED)

Measurement Date December 31,	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability				
Service cost	\$ 1,382	\$ 1,756	\$ 1,626	\$ 1,846
Interest (on the total OPEB liability)	1,392	1,417	1,538	1,471
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(1,215)	91	(4,568)
Changes of assumptions	3,421	(2,866)	9,015	7,048
Benefit payments, including refunds of employee contributions	<u>(403)</u>	<u>(376)</u>	<u>(361)</u>	<u>(317)</u>
Net Change in Total OPEB Liability	5,792	(1,284)	11,909	5,480
Total OPEB Liability - Beginning	<u>36,327</u>	<u>42,119</u>	<u>40,835</u>	<u>52,744</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 42,119</u></u>	<u><u>\$ 40,835</u></u>	<u><u>\$ 52,744</u></u>	<u><u>\$ 58,224</u></u>
Covered Employee Payroll	\$ 575,922	\$ 627,274	\$ 602,118	\$ 527,523
Net OPEB Liability as a Percentage of Covered Employee Payroll	7.31%	6.51%	8.76%	11.04%

Notes to Schedule:

This schedule is intended to present information for ten years.

However, previous years' information is not available.

Other Information:

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

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

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

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

See independent auditor's report.

**CITY OF BRUCEVILLE-EDDY, TEXAS
SCHEDULE OF OPEB CONTRIBUTIONS
LAST FOUR FISCAL YEARS
(UNAUDITED)**

Fiscal Year Ended September 30,	2018	2019	2020	2021
Actuarially Determined Contribution	\$ 377	\$ 368	\$ 341	\$ 1,209
Contributions in relation to the actuarially determined contribution	377	368	341	1,209
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 628,394	\$ 613,795	\$ 568,158	\$ 503,699
Contributions as a percentage of covered employee payroll	0.06%	0.06%	0.06%	0.24%

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount rate*	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of 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 - disables 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.

Other Information:

Notes 10 years of information is required to be provided in this schedule, but information prior to 2018 is not available.

See independent auditor's report.

CITY OF BRUCEVILLE-EDDY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2021
with Comparative Totals for the Year Ended September 30, 2020

	2021				2020
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Property taxes	\$ 365,425	\$ 365,425	\$ 392,230	\$ 26,805	\$ 369,883
Sales and miscellaneous taxes	80,000	80,000	101,386	21,386	92,211
Franchise taxes	60,000	60,000	55,758	(4,242)	58,152
Fines and forfeitures	479,869	479,869	401,256	(78,613)	516,773
Operating grant revenue	-	93,225	93,225	-	-
Licenses and permits	5,000	5,000	7,352	2,352	6,584
Interest income	15,200	15,200	3,200	(12,000)	16,192
Lease and miscellaneous income	20,512	20,512	159,376	138,864	60,813
Total Revenues	1,026,006	1,119,231	1,213,783	94,552	1,120,608
Expenditures					
General government:					
Salaries & wages	147,568	137,738	136,686	1,052	161,582
Payroll taxes and insurance	41,540	36,083	30,870	5,213	47,559
Administrative costs	49,578	140,270	105,662	34,608	113,426
Utilities	15,377	15,377	14,970	407	16,430
Legal and accounting	32,175	35,005	34,751	254	35,293
Repairs and maintenance	5,900	7,211	2,419	4,792	12,536
Public safety:					
Salaries & wages	345,167	292,545	195,486	97,059	243,762
Payroll taxes and insurance	117,694	75,584	44,575	31,009	58,403
Operating costs	144,427	194,514	184,626	9,888	148,824
Equipment	4,000	35,640	47,652	(12,012)	26,041
Legal and accounting	33,200	53,980	53,515	465	28,751
Repairs and maintenance	17,353	21,902	18,862	3,040	20,493
Highways and streets:					
Streets	55,552	57,207	4,345	52,862	26,406
Debt service:					
Principal	16,456	16,456	18,941	(2,485)	20,687
Interest	719	719	705	14	1,536
Total Expenditures	1,026,706	1,120,231	894,065	226,166	961,729
Excess (deficiency) of revenues over expenditures	(700)	(1,000)	319,718	320,718	158,879
Other Financing Sources					
Proceeds from sale of capital assets	1,000	1,000	-	(1,000)	3,800
Total other financing sources	1,000	1,000	-	(1,000)	3,800
Net change in fund balance	300	-	319,718	319,718	162,679
Fund Balance - beginning of year	2,471,913	2,471,913	2,471,913	-	2,309,234
Fund Balance - end of year	<u>\$ 2,472,213</u>	<u>\$ 2,471,913</u>	<u>\$ 2,791,631</u>	<u>\$ 319,718</u>	<u>\$ 2,471,913</u>

See independent auditor's report.

CITY OF BRUCEVILLE-EDDY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - WATER FUND
For the Year Ended September 30, 2021
with Comparative Totals for the Year Ended September 30, 2020

	2021			2020
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
<u>Operating Revenues</u>				
Water	\$ 1,404,000	\$ 1,404,000	\$ 1,495,020	\$ 1,548,566
Garbage	127,000	127,000	129,931	125,529
Water tap fees	25,000	25,000	53,180	88,458
Re-connect fees	9,080	9,080	40,713	14,185
Total Operating Revenues	1,565,080	1,565,080	1,718,844	1,776,738
<u>Operating Expenses</u>				
Water purchases	400,000	354,740	354,739	345,370
Water system utilities	107,300	103,797	97,909	112,484
Other water system expenses	32,050	34,114	32,097	27,947
Repairs and maintenance	75,980	90,949	14,218	58,430
Water System Supplies	59,500	61,045	53,004	63,717
Personnel and support	239,740	236,280	222,495	223,013
Professional fees	20,175	56,885	58,019	16,923
Administrative expenses	113,650	106,143	105,769	109,717
Garbage collection fees	120,300	123,454	123,453	118,518
Depreciation and amortization	-	-	235,064	198,500
Total Operating Expenses	1,168,695	1,167,407	1,296,767	1,274,619
Operating Income	396,385	397,673	422,077	502,119
<u>Nonoperating Revenues (Expenses)</u>				
Interest income	22,000	22,000	3,321	16,908
Interest expense	(109,940)	(109,940)	(109,955)	(105,235)
Donations emergency service				
Income	2,000	2,000	1,863	1,932
Expense	(2,000)	(2,000)	(1,848)	(1,904)
Capital outlay	-	-	-	75
Miscellaneous income	-	-	1,708	-
Total Nonoperating Revenues (Expenses)	(87,940)	(87,940)	(104,911)	(88,224)
Change in net position	308,445	309,733	317,166	413,895
Net Position - beginning of year	4,355,208	4,355,208	4,355,208	3,941,313
Net Position - end of year	\$4,663,653	\$4,664,941	\$ 4,672,374	\$ 4,355,208

See independent auditor's report.

CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO REQUIRED BUDGETARY INFORMATION
FOR TH YEAR ENDED SEPTEMBRER 30, 2021

A. BUDGETARY DATA

The City adopts its annual budget on a basis consistent with accounting principles generally accepted in the United States of America (GAAP basis) for the General Fund. The Water Fund budget is prepared on a basis (budget basis) which differs from GAAP basis. All annual appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund and function. The legal level of budgetary control is the fund level.

1. The City follows these procedures in establishing the budgetary data reflected in the financial statements:
 - b. Prior to the beginning of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.
 - b. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
 - c. The budget is legally enacted by the City Council.
 - d. Budget revisions may be made during the period.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The City over-expended its budget as follows:

General Fund

Equipment	\$ 12,012
Debt principal	\$ 2,485

Proprietary Water Fund

Depreciation and amortization	\$ 235,064
Professional fees	\$ 1,134

See independent auditor's report.

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INDIVIDUAL FUND FINANCIAL STATEMENTS

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CITY OF BRUCEVILLE-EDDY, TEXAS
COMPARATIVE BALANCE SHEETS - GENERAL FUND
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 581,495	\$ 511,731
Investments	2,288,424	1,935,223
Taxes receivable, net	13,893	17,819
Due from other funds	15,824	15,824
Cash and cash equivalents, restricted	<u>178,029</u>	<u>84,498</u>
Total Assets	<u>\$ 3,077,665</u>	<u>\$2,565,095</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 12,318	\$ 22,839
State criminal costs and fees payable	25,173	30,876
Other accrued expenses	<u>13,693</u>	<u>10,936</u>
Total Liabilities	<u>51,184</u>	<u>64,651</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred CLFRF grant revenue	210,246	-
Unavailable revenues - property tax	13,892	17,819
Unavailable revenues - lease income	<u>10,712</u>	<u>10,712</u>
Total Deferred Inflows of Resources	<u>234,850</u>	<u>28,531</u>
<u>FUND BALANCES</u>		
Restricted for:		
Court technology and building security	35,606	70,754
Public safety	142,424	13,744
Child safety	2,963	10,654
Unassigned	<u>2,610,638</u>	<u>2,376,761</u>
Total Fund Balances	<u>2,791,631</u>	<u>2,471,913</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,077,665</u>	<u>\$2,565,095</u>

See independent auditor's report.

CITY OF BRUCEVILLE-EDDY, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION – WATER FUND
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,157,754	\$ 2,094,116
Accounts receivable, net	<u>169,430</u>	<u>190,642</u>
Total current assets	<u>2,327,184</u>	<u>2,284,758</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	279,196	278,804
Certificate of deposits	60,363	60,273
Customer deposits	60,396	40,880
Net pension asset	62,404	42,035
Due from other funds	738,218	720,255
Capital assets:		
Land	476,262	476,262
Construction in progress	-	53,375
Buildings and improvements	185,113	131,738
Water facilities	5,892,944	5,817,890
Machinery and equipment	900,963	900,963
Less: accumulated depreciation	<u>(3,830,947)</u>	<u>(3,595,883)</u>
Total capital assets	<u>3,624,335</u>	<u>3,784,345</u>
Total Assets	<u>7,152,096</u>	<u>7,211,350</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred amounts related to pensions	9,433	9,997
Deferred amounts related to OPEB	<u>6,063</u>	<u>3,488</u>
Total Deferred Outflows of Resources	<u>15,496</u>	<u>13,485</u>
 Total Assets and Deferred Outflows of Resources	 <u>7,167,592</u>	 <u>7,224,835</u>

See independent auditor's report.

	<u>2021</u>	<u>2020</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	32,734	62,796
Other accrued liabilities	5,563	63,329
Customer deposits	99,030	84,531
Liabilities payable from restricted assets:		
Bonds and notes payable - current portion	319,944	309,714
Total current liabilities	<u>457,271</u>	<u>520,370</u>
Noncurrent liabilities:		
Compensated absences	5,706	5,706
Net OPEB liability	24,176	18,556
Liabilities payable from restricted assets:		
Bonds and notes payable	1,970,089	2,290,034
Total Liabilities	<u>2,457,242</u>	<u>2,834,666</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred amounts related to pensions	35,465	33,953
Deferred amounts related to OPEB	2,511	1,008
Total Deferred Inflows of Resources	<u>37,976</u>	<u>34,961</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>2,495,218</u>	 <u>2,869,627</u>
<u>NET POSITION</u>		
Net investment in capital assets	1,334,302	1,184,597
Restricted for:		
Debt service	279,196	278,804
Capital projects	60,363	60,273
Customer deposits	60,396	40,880
Unrestricted	<u>2,938,117</u>	<u>2,790,654</u>
 Total Net Position	 <u><u>\$ 4,672,374</u></u>	 <u><u>\$ 4,355,208</u></u>

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**INDEPENDENT AUDITOR'S 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***

Honorable Mayor and
Members of the City Council
City of Bruceville-Eddy, Texas

We have audited, in accordance with the 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, and each major fund of 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 December 13, 2021.

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) as a basis for designing 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 entity's 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.

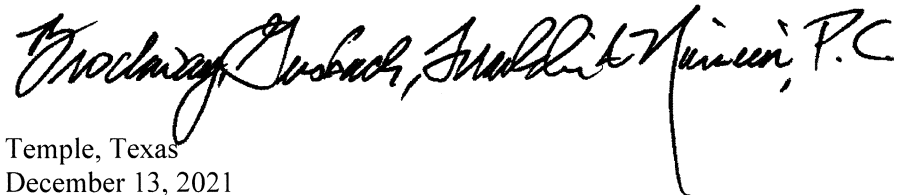
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. 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 or other matters 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, reading "Brockway Quach, Matthew Mancini, P.C." The signature is written in a cursive, flowing style.

Temple, Texas
December 13, 2021