

CITY OF GLEN ROSE

ANNUAL FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED SEPTEMBER 30, 2020

CITY OF GLEN ROSE
TABLE OF CONTENTS

	<u>Page</u>
Financial Section	
Independent Auditors' Report-----	1
Management's Discussion and Analysis-----	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position -----	9
Statement of Activities -----	10
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds-----	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position -----	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds -----	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities -----	14
Proprietary Fund Financial Statements	
Statement of Fund Net Position – Proprietary Funds -----	15
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds -----	16
Statement of Cash Flows – Proprietary Funds-----	17
Notes to Financial Statements -----	18
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund-----	37
Schedule of Changes in Net Pension Liability and Related Ratios – TMRS Pension -----	38
Schedule of Contributions – TMRS Pension-----	39
Schedule of Changes in Total OPEB Liability – TMRS -----	40
Other Information Required by GAO	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> -----	41
Schedule of Findings and Responses -----	42
Schedule of Prior Audit Findings-----	43

FINANCIAL SECTION

Merritt, McLane & Hamby, P.C.

401 Cypress Street, Suite 303
Abilene, TX 79601

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Glen Rose, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Glen Rose, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 of 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 financial statement presentation.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Glen Rose, Texas, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the required TMRS schedules on pages 3 through 8 and 37 through 40 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020, on our consideration of the City of Glen Rose's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Merritt, McLane & Hamby, P.C.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
December 4, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Glen Rose's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on September 30, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total Net Position increased \$3,300,401 from prior year. Net position of our business-type activities increased \$1,653,645 (15.0%). Net position of our governmental activities increased \$1,646,756 or (12.0%), after the prior period adjustment.
- During the year, the City's expenditures, including transfers, were \$1,646,756 less than the \$4,988,132 generated in taxes and other revenues for governmental programs.
- In the City's business-type activities, revenues were \$3,360,596, including transfers, while expenses were \$1,706,951.
- The total cost of the City's programs was \$4,348,327, excluding transfers, and no new programs were added during fiscal year 2020.
- The general fund reported fund balance of \$6,217,949.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements and a section of information required by the Government Accountability Office (GAO).

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or

paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, cultural and recreational, and highways and streets. Business-type activities include water utilities, sewer services and sanitation services.

The City's financial reporting entity does not include the funds for which the City is not accountable (component unit). This organization, the Glen Rose Economic Development Corporation, is reported separately from the primary government though included in the City's overall reporting entity. This entity dissolved as of October 1, 2019 and therefore will no longer be reported in the City's basic financial statements.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provides a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement for the general fund can be found in the required supplementary information. This statement demonstrates compliance with the city's adopted and final revised budget.

Proprietary funds are required in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the water utilities, sewer and sanitation services. Internal service funds provide services and charge fees to customers within the city organization such as equipment services (repair and maintenance of City vehicles) and the print shop (mail and printing services for City departments). The City has no internal service funds.

Proprietary fund statements and statements for discretely presented component units (reporting is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements with more detail for major enterprise funds.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the City as a Whole

Net Position. As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at fiscal year-end is \$28,122,861. This is an increase of \$3,300,401 from last year's net position of \$24,822,460, after the prior period adjustment. The following Table A-1 provides a summary of the City's net position at September 30, 2020 and 2019.

Table A-1
City of Glen Rose's Net Position

	Governmental Activities		Business-type Activities		Totals		Percentage Change
	2020	2019	2020	2019	2020	2019	
Current and Other Assets	\$ 6,293,713	\$ 6,300,709	\$ 3,279,167	\$ 2,717,575	\$ 9,572,880	\$ 9,018,284	6.15%
Capital and Non-Current Assets	10,413,476	10,467,428	13,006,526	11,921,242	23,420,002	22,388,670	4.61%
Total Assets	16,707,189	16,768,137	16,285,693	14,638,817	32,992,882	31,406,954	
Deferred Outflows of Resources	157,445	282,384	43,842	79,081	201,287	361,465	-44.31%
Current Liabilities	141,307	301,380	286,634	329,473	427,941	630,853	-32.16%
Long Term Liabilities	1,195,336	2,928,522	3,309,089	3,334,547	4,504,425	6,263,069	-28.08%
Total Liabilities	1,336,643	3,229,902	3,595,723	3,664,020	4,932,366	6,893,922	
Deferred Inflows of Resources	108,376	15,167	30,566	4,277	138,942	19,444	614.58%
Net Position							
Net Investment in Capital Assets	9,706,493	8,198,576	9,825,543	8,642,674	19,532,036	16,841,250	15.98%
Restricted	2,158	6,404			2,158	6,404	-66.30%
Unrestricted	5,710,964	5,600,472	2,877,703	2,406,927	8,588,667	8,007,399	7.26%
Total Net Position	\$ 15,419,615	\$ 13,805,452	\$ 12,703,246	\$ 11,049,601	\$ 28,122,861	\$ 24,855,053	

Net position in the City's governmental activities increased 12.0% to \$15,419,615, after the prior period adjustment. Net position increased 15.0% to \$12,703,246 in business-type activities of the government. \$19,532,036 of the total net position is invested in capital assets (distribution and collection system, equipment, etc.) net of long-term debt, and \$2,158 restricted for the Convention and Visitors' Bureau. Consequently, unrestricted net position was \$8,588,667 at the end of this year.

Changes in Net Position. The City's total revenues were \$6,972,360, excluding transfers. Charges for services made up the largest portion of the City's revenue (40%) while 36 cents of every dollar raised comes from some type of tax. (See Figure A-1)

The total cost of all programs and services was \$4,348,327 excluding transfers. The City's expenses cover a range of services, with approximately a third (or 39%) related to business-type activities. (See Figure A-2)

Figure A-1
City Sources of Revenue for Fiscal Year 2020

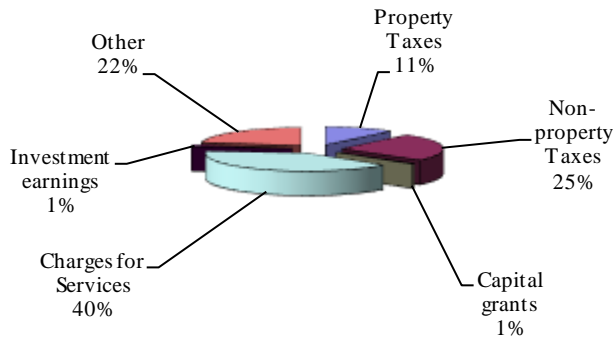
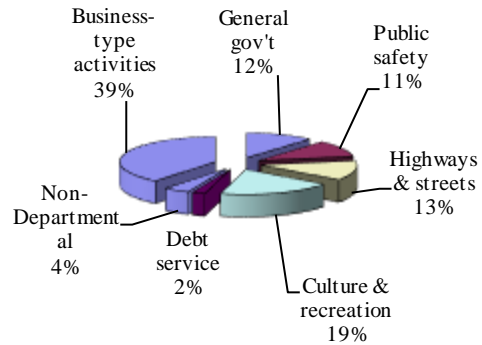


Figure A-2
City Functional Expenses for Fiscal Year 2020



Governmental Activities

Revenues for the City's governmental activities were \$4,988,132, while total expenses were \$3,341,376, including transfers. The City is increasing its tax base by bringing in new businesses and homes. The increase of new business adds revenue through two avenues; 1) property tax, and 2) sales tax.

Table A-2
Changes in City of Glen Rose, Texas' Net Position

	Governmental Activities		Business-type Activities		Total		Total % Change
	2020	2019	2020	2019	2020	2019	
Revenues							
<u>Program Revenues</u>							
Charges for Services	\$ 849,767	\$ 926,552	\$ 1,956,985	\$ 2,016,481	\$ 2,806,752	\$ 2,943,033	-4.63%
Capital/Operating Grants and Contributions	29,500			196,721	29,500	196,721	-85.00%
<u>General Revenues</u>							
Property tax	772,644	733,618			772,644	733,618	5.32%
Sales tax	1,302,527	1,271,230			1,302,527	1,271,230	2.46%
Gross receipts tax	182,566	208,024			182,566	208,024	-12.24%
Occupancy tax	243,089	298,182			243,089	298,182	-18.48%
Investment Earnings	57,031	59,815	26,649	75,912	83,680	135,727	-38.35%
Other income	1,551,008	156,289	594	1,962	1,551,602	158,251	880.47%
Transfers	(700,000)	257,381	1,376,368	1,667	676,368	259,048	161.10%
Total Revenues	4,288,132	3,911,091	3,360,596	2,292,743	7,648,728	6,203,834	
Expenses							
General Government	497,137	853,749			497,137	853,749	-41.77%
Public Safety	470,458	546,020			470,458	546,020	-13.84%
Highways and Streets	554,806	588,201			554,806	588,201	-5.68%
Culture and Recreation	837,819	1,164,548			837,819	1,164,548	-28.06%
Debt service interest	92,450				92,450		100.00%
Non-departmental	188,706	180,444			188,706	180,444	4.58%
Water and Sewer			1,706,951	1,644,468	1,706,951	1,644,468	3.80%
Total Expenses	2,641,376	3,332,962	1,706,951	1,644,468	4,348,327	4,977,430	
Change in Net Position	\$ 1,646,756	\$ 578,129	\$ 1,653,645	\$ 648,275	\$ 3,300,401	\$ 1,226,404	

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. Governmental funds reported ending fund balances of \$6,220,107.

The total ending fund balances of governmental funds show an increase of \$174,824 over the prior year. This increase is primarily the result of the sale of assets in the current year.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased \$146,477. The key factor contributing to this increase are proceeds from the sale of assets.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

The City's major proprietary fund is the Utility Fund which consists of the water, sewer and sanitation services. Total net position at the end of the year was \$12,703,246. The Utility Fund had an increase in net position of \$1,653,645. The increase is mainly due to the transfer from the general fund and from the Economic Development Corporation.

General Fund Budgetary Highlights

The General Fund Budget for fiscal year 2020 was approximately \$7,500,000. This was an increase from the previous year's expenditures of approximately \$3,750,000.

The City amended its budget during the year. Increases included increases in general government, public safety and highways and streets, and decreases in culture and recreation and non-departmental.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2020, was \$10,413,476 and \$12,954,026, respectively. The total change in this net investment was a decrease of 0.5% in the governmental and an increase of 8.7% for business-type activities. The overall increase was 4.4% for the City as a whole. The most significant capital asset additions during the current fiscal year were for construction on the waste water system, lift station, city hall renovations, and streets. See Table A-3 for additional information about changes in capital assets during the fiscal year.

**Table A-3
City's Capital Assets**

	Governmental		Business-type		Total		Total % Change
	Activities		Activities				
	2020	2019	2020	2019	2020	2019	
Land & improvements	\$ 1,454,172	\$ 1,454,172	\$ 67,337	\$ 67,337	\$ 1,521,509	\$ 1,521,509	0.00%
Construction in progress			200,175	124,292	200,175	124,292	61.05%
Buildings & improvements	1,752,149	1,733,866	57,943	57,943	1,810,092	1,791,809	1.02%
Machinery & equipment	1,259,238	1,259,238	697,168	697,168	1,956,406	1,956,406	0.00%
Infrastructure	9,480,169	9,251,329	17,840,923	16,453,552	27,321,092	25,704,881	6.29%
Total at historical cost	13,945,728	13,698,605	18,863,546	17,400,292	32,809,274	31,098,897	
Accumulated depreciation	3,532,252	3,231,177	5,909,520	5,479,050	9,441,772	8,710,227	8.40%
Net capital assets	\$ 10,413,476	\$ 10,467,428	\$ 12,954,026	\$ 11,921,242	\$ 23,367,502	\$ 22,388,670	

Long-term Debt

At year-end, the City had \$3,125,000 in bonds payable. See Table A-4.

**Table A-4
City's Outstanding Debt**

			Dollar Change	Total % Change
	2020	2019		
Governmental Activities				
General Obligation Refunding				
Bonds, Series 2010	703,323	2,265,000	(1,561,677)	-68.95%
	<u>703,323</u>	<u>2,265,000</u>		
Business-type				
Certificates of Obligation, Series 2013	\$ 70,000	\$ 100,000	\$ (30,000)	-30.00%
Certificates of Obligation, Series 2016	3,055,000	3,175,000	(120,000)	-3.78%
	<u>\$ 3,125,000</u>	<u>\$ 3,275,000</u>	<u>\$ (150,000)</u>	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City is working on bringing residents into the City of Glen Rose by adding residential areas. By bringing in new residents, revenue of the City is increased through sales tax revenues and property tax revenues.

- Appraised value used for the 2020-2021 budget preparation increased approximately \$8.3 million from prior years.
- Water, sewer and sanitation rates are expected to remain consistent with the fiscal year 2020.

These indicators were taken into account when adopting the general fund and utility fund budgets for 2021. Overall, expenditures are planned to increase due to capital improvements and debt repayment in the General Fund.

The General Fund expenditures are budgeted at \$7,347,544, which is an increase of \$3,466,265 from current year expenditures. The City has added no major new programs or initiatives to the 2021 budget but has budgeted for some street and park capital outlay in the upcoming year and to pay off the remainder of the general fund long-term debt.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Glen Rose's City Administrator, Glen Rose, Texas

BASIC FINANCIAL STATEMENTS

CITY OF GLEN ROSE

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

ASSETS	Primary Government			Economic Development Corporation
	Governmental Activities	Business-Type Activities	Total	
Current Assets				
Cash and cash equivalents	\$ 1,320,840	\$ 678,234	\$ 1,999,074	\$
Investments	4,662,705	2,267,672	6,930,377	
Receivables, net	435,854	195,075	630,929	
Due from other funds	(125,686)	125,686		
Note receivable - current		12,500	12,500	
Total current assets	6,293,713	3,279,167	9,572,880	
Non-current Assets				
Note receivable - long term		52,500	52,500	
Capital assets:				
Land and improvements	1,454,172	67,337	1,521,509	
Infrastructure, net	7,428,524	12,590,772	20,019,296	
Buildings and improvements, net	1,222,042	31,676	1,253,718	
Machinery and equipment, net	308,738	64,066	372,804	
Construction in progress		200,175	200,175	
Total non-current assets	10,413,476	13,006,526	23,420,002	
Total Assets	16,707,189	16,285,693	32,992,882	
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to TMRS Pension	140,902	39,174	180,076	
Deferred outflows related to TMRS OPEB	16,543	4,668	21,211	
Total Deferred Outflows of Resources	157,445	43,842	201,287	
LIABILITIES				
Current Liabilities				
Accounts payable	4,556	127,835	132,391	
Payroll liabilities	13,091	5,316	18,407	
Accrued interest	3,660	3,483	7,143	
Bonds and notes payable - current	120,000	150,000	270,000	
Total current liabilities	141,307	286,634	427,941	
Non-current Liabilities				
Utility deposits		168,427	168,427	
Accrued compensated absences	95,898	20,090	115,988	
Net pension liability	438,229	123,604	561,833	
Net OPEB liability	77,886	21,968	99,854	
Bonds and notes payable - non current	583,323	2,975,000	3,558,323	
Total non-current liabilities	1,195,336	3,309,089	4,504,425	
Total Liabilities	1,336,643	3,595,723	4,932,366	
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to TMRS Pension	102,704	28,966	131,670	
Deferred inflows related to TMRS OPEB	5,672	1,600	7,272	
Total Deferred Inflows of Resources	108,376	30,566	138,942	
NET POSITION				
Net investment in capital assets	9,706,493	9,878,043	19,584,536	
Restricted	2,158		2,158	
Unrestricted	5,710,964	2,825,203	8,536,167	
Total Net Position	\$ 15,419,615	\$ 12,703,246	\$ 28,122,861	\$

The accompanying notes are an integral part of this statement.

CITY OF GLEN ROSE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital grants and Contributions</u>
Primary Government			
Governmental Activities:			
General government	\$ 497,137	\$ 80,663	\$
Public safety	470,458	75,775	
Highways and streets	554,806		
Culture and recreation	837,819	693,329	29,500
Debt service - interest expense	92,450		
Non-departmental	188,706		
Total governmental activities	<u>2,641,376</u>	<u>849,767</u>	<u>29,500</u>
Business-type Activities:			
Utility fund	<u>1,706,951</u>	<u>1,956,985</u>	
Total business-type activities	<u>1,706,951</u>	<u>1,956,985</u>	
Total Primary Government	<u>\$ 4,348,327</u>	<u>\$ 2,806,752</u>	<u>\$ 29,500</u>
Component Unit			
Economic Development Corporation	<u>\$</u>	<u>\$</u>	<u>\$</u>

General Revenues:

- Taxes:
 - Property tax
 - Sales tax
 - Gross receipts tax
 - Beverage tax
 - Occupancy tax
- Investment earnings
- Miscellaneous income
- Sale of assets
- Transfers
- Total general revenues and transfers
- Change in Net Position**

Net Position - Beginning
 Prior period adjustment
 Net Position - Beginning, As Restated

 Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Economic Development Corporation</u>
\$ (416,474)		\$ (416,474)	
(394,683)		(394,683)	
(554,806)		(554,806)	
(114,990)		(114,990)	
(92,450)		(92,450)	
<u>(188,706)</u>		<u>(188,706)</u>	
<u>(1,762,109)</u>		<u>(1,762,109)</u>	
	<u>250,034</u>	<u>250,034</u>	
	<u>250,034</u>	<u>250,034</u>	
<u>(1,762,109)</u>	<u>250,034</u>	<u>(1,512,075)</u>	
			\$ _____
772,644		772,644	
1,302,527		1,302,527	
182,566		182,566	
13,041		13,041	
243,089		243,089	
57,031	26,649	83,680	
37,917	594	38,511	
1,500,050		1,500,050	
<u>(700,000)</u>	<u>1,376,368</u>	<u>676,368</u>	<u>(676,368)</u>
<u>3,408,865</u>	<u>1,403,611</u>	<u>4,812,476</u>	<u>(676,368)</u>
<u>1,646,756</u>	<u>1,653,645</u>	<u>3,300,401</u>	<u>(676,368)</u>
13,805,452	11,049,601	24,855,053	676,368
<u>(32,593)</u>		<u>(32,593)</u>	
<u>13,772,859</u>	<u>11,049,601</u>	<u>24,822,460</u>	<u>676,368</u>
\$ <u>15,419,615</u>	\$ <u>12,703,246</u>	\$ <u>28,122,861</u>	\$ _____

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF GLEN ROSE

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

	<u>General</u>	<u>Convention and Visitors' Bureau</u>	<u>Total Governmental Funds</u>
ASSETS			
Current:			
Cash and cash equivalents	\$ 1,256,544	\$ 64,296	\$ 1,320,840
Investments	4,659,619	3,086	4,662,705
Receivables			
Sales tax	245,862		245,862
Hotel occupancy tax		32,946	32,946
Property tax	88,504		88,504
Allowance for property tax	(32,545)		(32,545)
Court fines	33,085		33,085
Allowance for court fines	(27,916)		(27,916)
Other receivables	95,918		95,918
Due from other funds	97,213		97,213
Total Assets	<u>\$ 6,416,284</u>	<u>\$ 100,328</u>	<u>\$ 6,516,612</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 4,556	\$	\$ 4,556
Payroll liabilities	12,134	957	13,091
Due to other funds	125,686	97,213	222,899
Total Liabilities	<u>142,376</u>	<u>98,170</u>	<u>240,546</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	55,959		55,959
Total Deferred Inflows of Resources	<u>55,959</u>		<u>55,959</u>
FUND BALANCE			
Restricted for promoting tourism, convention, and hotel industry		2,158	2,158
Unassigned	6,217,949		6,217,949
Total Fund Balance	<u>6,217,949</u>	<u>2,158</u>	<u>6,220,107</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 6,416,284</u>	<u>\$ 100,328</u>	<u>\$ 6,516,612</u>

The accompanying notes are an integral part of this statement.

CITY OF GLEN ROSE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2020

Total fund balances - governmental funds balance sheet	\$	6,220,107
<p>Amounts reported for governmental activities in the statement of net position (SNP) are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$13,698,605 and the accumulated depreciation was \$3,231,177.		10,467,428
Current year capital outlays and dispositions are expenditures in the fund financial statements, but are shown as increases to capital assets in the SNP.		247,123
Depreciation expense decreases net position in SNP.		(301,075)
Long term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the fund financial statements. The beginning balance of long-term liabilities is \$2,265,000.		(2,265,000)
Long-term debt principal payments are expenditures in the fund financial statements but are shown as a reduction in long-term debt in the government-wide statements.		1,561,677
Compensated absences are recorded in SNP but not fund financial statements.		(95,898)
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$438,229 a deferred resource inflow in the amount of \$102,704, and a deferred resource outflow in the amount of \$140,902. This resulted in a decrease in net position by \$400,031.		(400,031)
Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of \$77,886, a deferred resource inflow in the amount of \$5,672, and a deferred resource outflow of \$16,543. This resulted in a decrease in net position by \$67,015.		(67,015)
Interest payable is recorded in the statement of net position. The balance decreases net position.		(3,660)
Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.		<u>55,959</u>
Net position of governmental activities - statement of net position	\$	<u><u>15,419,615</u></u>

The accompanying notes are an integral part of this statement.

CITY OF GLEN ROSE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General</u>	<u>Convention and Visitors' Bureau</u>	<u>Total Governmental Funds</u>
REVENUES			
Property tax	\$ 756,990	\$	\$ 756,990
Sales tax	1,302,527		1,302,527
Gross receipt tax	182,566		182,566
Beverage tax	13,041		13,041
Occupancy tax		243,089	243,089
Licenses and permits	75,775		75,775
Fines and forfeitures	80,663		80,663
Charges for services	77,066	1,268	78,334
Investment income	56,666	365	57,031
Rental income	614,995		614,995
Grant revenue	29,500		29,500
Miscellaneous income	37,917		37,917
Total Revenues	<u>3,227,706</u>	<u>244,722</u>	<u>3,472,428</u>
EXPENDITURES			
Current:			
General government	461,543		461,543
Public safety	434,222		434,222
Highways and streets	573,172		573,172
Culture and recreation	556,808	216,375	773,183
Debt service	1,654,127		1,654,127
Non-departmental	201,407		201,407
Total Expenditures	<u>3,881,279</u>	<u>216,375</u>	<u>4,097,654</u>
Deficiency of Revenues Under Expenditures	<u>(653,573)</u>	<u>28,347</u>	<u>(625,226)</u>
OTHER FINANCING SOURCES			
Transfers	(700,000)		(700,000)
Sale of assets	1,500,050		1,500,050
Total other financing sources	<u>800,050</u>		<u>800,050</u>
Net Change in Fund Balances	<u>146,477</u>	<u>28,347</u>	<u>174,824</u>
Fund Balance - Beginning	6,071,472	6,404	6,077,876
Prior period adjustment		<u>(32,593)</u>	<u>(32,593)</u>
Fund Balance - Beginning, as Restated	<u>6,071,472</u>	<u>(26,189)</u>	<u>6,045,283</u>
Fund Balance - Ending	<u>\$ 6,217,949</u>	<u>\$ 2,158</u>	<u>\$ 6,220,107</u>

The accompanying notes are an integral part of this statement.

CITY OF GLEN ROSE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Total change in fund balance - total governmental funds	\$	174,824
<p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p>		
Depreciation expense is not recorded in the fund financial statements.		(301,075)
Capital outlay is recorded as an expenditure in the fund financial statements, but as an asset in the SNP.		247,123
Long-term debt principal payments are expenditures in the fund financial statements but they are shown as a reduction in the long-term debt in the government-wide statements.		1,561,677
Interest payable is recorded in the statement of net position. The change in the balance is to increase net position.		192
Compensated absences is recorded in the statement of net position. The change in the balance is to decrease net position.		2,175
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of December 31, 2019 caused the change in the ending net position to increase in the amount of \$95,818. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$96,672. The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$45,367. The result of these changes is to decrease the change in net position by \$46,221.		(46,221)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of December 31, 2019 caused the change in the ending net position to increase in the amount of \$1,772. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$2,057. The City's reported TMRS total OPEB expense had to be recorded. The total OPEB expense decreased the change in net position by \$7,308. The result of these changes is to decrease the change in net position of \$7,593.		(7,593)
Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.		<u>15,654</u>
Change in net position governmental activities - statement of activities	\$	<u><u>1,646,756</u></u>

The accompanying notes are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF GLEN ROSE

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2020

	Utility Fund	Total Enterprise Funds
	<u> </u>	<u> </u>
ASSETS		
Current:		
Cash and cash equivalents	\$ 678,234	\$ 678,234
Investments	2,267,672	2,267,672
Accounts receivable, net	195,075	195,075
Note receivable - current	12,500	12,500
Due from other funds	125,686	125,686
Total current	<u>3,279,167</u>	<u>3,279,167</u>
Non current:		
Note receivable - non-current	52,500	52,500
Land and land improvements	67,337	67,337
Construction in progress	200,175	200,175
Infrastructure, net	12,590,772	12,590,772
Buildings and improvements, net	31,676	31,676
Machinery and equipment, net	64,066	64,066
Total non current	<u>13,006,526</u>	<u>13,006,526</u>
TOTAL ASSETS	<u>16,285,693</u>	<u>16,285,693</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to TMRS Pension	39,174	39,174
Deferred outflows related to TMRS OPEB	4,668	4,668
Total Deferred Outflows of Resources	<u>43,842</u>	<u>43,842</u>
LIABILITIES		
Current		
Accounts payable	127,835	127,835
Payroll liabilities	5,316	5,316
Accrued interest payable	3,483	3,483
Bonds payable - current	150,000	150,000
Total current	<u>286,634</u>	<u>286,634</u>
Non current:		
Customer deposits	168,427	168,427
Accrued compensated absences	20,090	20,090
Net pension liability	123,604	123,604
Net OPEB liability	21,968	21,968
Bonds payable	2,975,000	2,975,000
Total non current	<u>3,309,089</u>	<u>3,309,089</u>
TOTAL LIABILITIES	<u>3,595,723</u>	<u>3,595,723</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to TMRS Pension	28,966	28,966
Deferred inflows related to TMRS OPEB	1,600	1,600
Total Deferred Inflows of Resources	<u>30,566</u>	<u>30,566</u>
NET POSITION		
Net investment in capital assets	9,878,043	9,878,043
Unrestricted	2,825,203	2,825,203
TOTAL NET POSITION	<u>\$ 12,703,246</u>	<u>\$ 12,703,246</u>

The accompanying notes are an integral part of this statement.

CITY OF GLEN ROSE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Utility Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues:		
Water services	\$ 998,789	\$ 998,789
Sewer services	607,317	607,317
Sanitation services	350,879	350,879
Miscellaneous revenue	594	594
Total operating revenues	<u>1,957,579</u>	<u>1,957,579</u>
Operating Expenses:		
Water department	871,877	871,877
Sewer department	114,774	114,774
Waste water treatment plant	253,585	253,585
Sanitation	378,764	378,764
Total operating expenses	<u>1,619,000</u>	<u>1,619,000</u>
Net operating income	<u>338,579</u>	<u>338,579</u>
Nonoperating income/(expense):		
Interest income	26,649	26,649
Interest expense	(87,951)	(87,951)
Transfer	1,376,368	1,376,368
Total nonoperating income/(expenses)	<u>1,315,066</u>	<u>1,315,066</u>
Change in Net Position	1,653,645	1,653,645
Net Position - Beginning of Year	<u>11,049,601</u>	<u>11,049,601</u>
Net Position - End of Year	<u>\$ 12,703,246</u>	<u>\$ 12,703,246</u>

The accompanying notes are an integral part of this statement.

CITY OF GLEN ROSE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Utility Fund</u>	<u>Total Enterprise Funds</u>
<u>Cash flows from operating activities:</u>		
Cash received from customers	\$ 1,971,908	\$ 1,971,908
Cash payments to suppliers for goods and services	(760,323)	(760,323)
Cash payments for employees services and benefits	(299,560)	(299,560)
Net cash provided by operating activities	<u>912,025</u>	<u>912,025</u>
<u>Cash flows from noncapital financing activities:</u>		
Pension funding	12,965	12,965
OPEB funding	2,213	2,213
Transfers from other funds	1,376,368	1,376,368
Advances from/to other funds	(49,109)	(49,109)
Net cash provided by noncapital financing activities	<u>1,342,437</u>	<u>1,342,437</u>
<u>Cash flows from capital and related financing activities:</u>		
Principal paid on bonds payable	(150,000)	(150,000)
Interest expense	(87,951)	(87,951)
Acquisition of property and equipment	(1,463,254)	(1,463,254)
Net cash provided by capital and related financing activities	<u>(1,701,205)</u>	<u>(1,701,205)</u>
<u>Cash flows from investing activities:</u>		
Purchase of investments	(839,733)	(839,733)
Interest earned	26,649	26,649
Net cash used by investing activities	<u>(813,084)</u>	<u>(813,084)</u>
Net Increase in Cash	(259,827)	(259,827)
Cash at Beginning of Year	<u>1,003,061</u>	<u>1,003,061</u>
Cash at End of Year:	<u>\$ 743,234</u>	<u>\$ 743,234</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 338,579	\$ 338,579
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	430,470	430,470
(Increase) decrease in operating assets		
Receivables	14,923	14,923
Increase (decrease) in operating liabilities		
Accounts payable	100,312	100,312
Accrued compensated absences	2,465	2,465
Accrued payroll	(749)	(749)
Accrued interest	(85)	(85)
Utility deposits	26,110	26,110
Net cash provided by operating activities	<u>\$ 912,025</u>	<u>\$ 912,025</u>

The accompanying notes are an integral part of this statement.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the City of Glen Rose, Texas (City) are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2020.

Financial Reporting Entity – Basis of Reporting

The City operates as a Type A General Law Municipality under the laws of the State of Texas. The City is governed by an elected mayor and five-member governing council and provides the following services as authorized by its charter: public safety, highways and streets, culture and recreation, water, sewer, solid waste and general governmental services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component unit, an entity for which the government is considered to be financially accountable. The discreetly presented component unit is reported in a separate column in the government-wide statements to emphasize it is legally separate from the primary government.

Government-wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government and component unit are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for uses of the City's services; and (2) capital grants and contributions which finance major construction projects. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applied all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales taxes, occupancy taxes, beverage taxes, property taxes, gross receipts taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income and expenses reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

Fund Types and Major Funds

Governmental funds

The City reports the following major governmental fund:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Convention and Visitors' Bureau – reports the City's hotel and motel tax revenues and expenditures related to tourism.

Proprietary funds

The City reports the following major enterprise fund:

Utility Fund – reports for revenues and expenses associated with water, sewer, and sanitation services for the citizens of the City.

Assets, Liabilities, and Net Position or Equity

Cash and cash investments

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have an original maturity of three months or less when purchased.

Investments

Investments are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Texas Local Government Investment Pool ("TexPool") and Texas Short Term Asset Reserve ("TexSTAR"). Investments for the City include certificates of deposit and investments in TexPool and TexSTAR.

In accordance with state law, TexPool and TexSTAR operate in conformity with all the requirements of the Securities and Exchange Commission's ("SEC") Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool and TexSTAR qualify as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool and TexSTAR are subject to regulatory oversight by the State Treasurer, although they are not registered with the SEC.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventory

The costs in inventory are recorded as expenditures/expenses when purchased (purchase method).

Capital assets, depreciation, and amortization

The City's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund's financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with costs of \$5,000 or more, as purchase and construction outlays occur. The City chose to include the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities such as streets), regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in non-operating revenues and expenses in the proprietary funds and general revenues in the government-wide statements.

Estimated useful lives for depreciable assets are as follows:

Buildings and improvements	10-40 years
Machinery and equipment	10 years
Infrastructure	10-50 years

Long-term debt

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds from debt as other financing sources of the current period. Issuance costs and debt payments are reported as expenditures.

Compensated Absences

The City's policy permits employees to accumulate earned but unused personal time off (PTO) benefits. Employees earn up to 48 hours of PTO during their first year of employment. Employees with 1 to 2 years of employment can earn up to 144 hours of PTO each year. Employees with 3 to 10 years of employment can earn up to 184 hours of PTO each year. Employees with 11 to 15 years of employment can earn up to 224 hours of PTO each year. Employees with 16 or greater years of employment can earn up to 264 hours of PTO each year. Employees can accumulate a maximum of 240 hours of PTO. Unused PTO is paid upon termination of employment. PTO accrual for governmental activities and business-type activities are \$95,898 and \$20,090, respectively.

Deferred Outflows / Inflows of Resources

Deferred outflows of resources refer to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets. The City has no amounts recorded as deferred outflows of resources in the governmental fund financial statements and \$201,287 and \$43,842 of deferred outflows related to TMRS in the government wide financial statements and proprietary funds statements, respectively.

Deferred inflows of resources refer to the acquisition of net assets that are applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Specifically, for the current period, the difference in delinquent taxes receivable and the associated allowance for uncollectible taxes of \$55,959 is considered a deferred inflow of resources in the governmental fund financial statements, while \$30,566 and \$138,942 of deferred inflows related to TMRS is considered deferred inflow of resources in the proprietary funds and government wide financial statements, respectively.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

The fiduciary net position of the Texas Municipal Retirement System (TMRS) has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefit, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City had no amounts classified as nonspendable at September 30, 2020.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Federal or state funds are restricted for a specific use only. The City had \$2,158 restricted for promoting tourism and for the convention and hotel industry at September 30, 2020.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has no amounts classified as committed at September 30, 2020.

Assigned – This classification includes amounts that are constrained by the City Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to management through the budgetary process. The City has no funds classified as assigned at September 30, 2020.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. As such, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budget policy and practice

The Mayor submits an annual budget to the City Council in accordance with the State of Texas. The budget is presented to the City Council for review, and public hearings are held to address citizen concerns. In September, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of budgeting

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: general governmental services, public safety, highways and streets, culture and recreation, and non-departmental. Budget revisions at this level are subject to final review by the City Council.

Budgets for the governmental funds operations are prepared on the modified accrual basis of accounting. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the expenditure is incurred. The budget and actual financial statements are reported on this basis.

Compliance

The City is compliant with applicable requirements of Section 16.356 of the Texas Water Code relating to transfers of funds associated with EDAP funded projects. All revenues derived from EDAP funded projects are solely for utility purposes.

NOTE 3: DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City 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.

Cash Deposits

The City's cash deposits were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name at September 30, 2020.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, ("ACT") to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS - continued

funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The ACT requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general-purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the ACT. Additionally, investment practices of the City were in accordance with local policies.

Statutes authorize the entity 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.

Fair Value

Generally accepted accounting principles require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A fair value hierarchy exists for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example: interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally-developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS - continued

While management believes the City’s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

For all assets and liabilities other than investments carrying value approximates fair value.

Investments are reported at fair value utilizing Level I inputs for TexPool and TexSTAR and Level 2 for certificates of deposits.

The City’s investments at September 30, 2020 are as follows:

	Fair Value				Weighted Average Maturity (Days)	Standard & Poor's & Rating
	General Fund	Convention & Visitors Bureau	Utility Fund	Total		
TexPool	\$ 2,129,917	\$ 3,086	\$ 2,247,672	\$ 4,380,675	38	AAAm
TexSTAR	2,529,702			2,529,702	43	AAAm
Certificate of Deposit			20,000	20,000	359	
	<u>\$ 4,659,619</u>	<u>\$ 3,086</u>	<u>\$ 2,267,672</u>	<u>\$ 6,930,377</u>		

Analysis of Specific Deposit and Investment Risks

- Credit Risk – the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.
- Custodial Credit Risk – Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the City’s name. At September 30, 2020, the City’s deposits and investments were entirely collateralized and therefore, not exposed to custodial credit risk.
- Concentration of Credit Risk – the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s policy is to diversify its investments by security type and institution. The City invests only in TexPool and TexSTAR and certificates of deposits. The City’s concentration of credit risk is low.
- Interest rate risk – the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the maturity of investments to one year or less. The City monitors the interest rates to minimize the exposure to interest rate risk.
- Foreign Currency Risk – the risk that exchange rates will adversely affect the fair value of an investment. As of September 30, 2020, the City was not exposed to foreign currency risk.

NOTE 4: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE

Enterprise Receivables

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The allowance for uncollectible accounts is \$25,518 based on historical data.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE

Receivables at September 30, 2020 are shown as follows:

Primary government:	
Water fund utility services	\$ 220,593
Allowance for uncollectible accounts	<u>(25,518)</u>
Total primary government	\$ <u>195,075</u>

Property Taxes Receivable, Deferred Revenue and Property Tax Calendar

Property taxes are levied by October 1st on the assessed value listed as of the prior January 1st for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which the tax is imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible taxes receivable within the General Fund are based upon historical experience in collecting property taxes. Uncollectible property taxes are periodically reviewed and written off, but the city is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In the governmental fund financial statements, property taxes receivable are recorded in the General Fund. At fiscal year-end, the receivables represent delinquent taxes receivable.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected.

NOTE 5: NOTE RECEIVABLE

Glen Rose Economic Development Corporation entered into a note agreement with VRC Enterprises, Inc on August 26, 2016, in the amount of \$100,000 for the construction of office, warehouse, and fabrication facilities. The note is a zero percent loan payable in quarterly payments of \$2,500. The loan matures on October 1, 2026. The balance at September 30, 2020 was \$65,000. The note was transferred to the utility fund.

NOTE 6: CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets:

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,454,172	\$	\$	\$ 1,454,172
Total not being depreciated	<u>1,454,172</u>			<u>1,454,172</u>
Capital assets being depreciated				
Buildings & improvements	1,733,866	18,283		1,752,149
Machinery & equipment	1,259,238			1,259,238
Infrastructure	<u>9,251,329</u>	<u>228,840</u>		<u>9,480,169</u>
Total being depreciated	12,244,433	247,123		12,491,556

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: CAPITAL ASSETS - continued

Less accumulated depreciation for:			
Buildings & improvements	(494,525)	(35,582)	(530,107)
Machinery & equipment	(869,791)	(80,709)	(950,500)
Infrastructure	<u>(1,866,861)</u>	<u>(184,784)</u>	<u>(2,051,645)</u>
Total accumulated depreciation	(3,231,177)	(301,075)	(3,532,252)
Total being depreciated, net	9,013,256	(53,952)	8,959,304
Governmental activities total, net	\$ <u>10,467,428</u>	\$ <u>(53,952)</u>	\$ <u>10,413,476</u>

Depreciation was charged to functions as follows:

General government	\$ 18,703
Public safety	20,282
Highways and streets	201,198
Culture and recreation	55,310
Non-departmental	<u>5,582</u>
Total depreciation expense - governmental activities	\$ <u>301,075</u>

	Beginning			Ending
	Balance	Increases	Decreases	Balance
<u>Business-type activities:</u>				
Capital assets not depreciated				
Land	\$ 67,337	\$	\$	\$ 67,337
Construction in progress	<u>124,292</u>	1,279,266	<u>(1,203,383)</u>	200,175
Total not being depreciated	191,629	1,279,266	(1,203,383)	267,512
Capital assets being depreciated				
Buildings & improvements	57,943			57,943
Machinery & equipment	697,168			697,168
Infrastructure	<u>16,453,552</u>	1,387,371		<u>17,840,923</u>
Total being depreciated	17,208,663	1,387,371		18,596,034
Less accumulated depreciation for:				
Buildings & improvements	(24,818)	(1,449)		(26,267)
Machinery & equipment	(600,584)	(32,518)		(633,102)
Infrastructure	<u>(4,853,648)</u>	<u>(396,503)</u>		<u>(5,250,151)</u>
Total accumulated depreciation	(5,479,050)	(430,470)		(5,909,520)
Total being depreciated, net	11,729,613	956,901		12,686,514
Business-type activities total, net	\$ <u>11,921,242</u>	\$ <u>2,236,167</u>	\$ <u>(1,203,383)</u>	\$ <u>12,954,026</u>
Total governmental-wide, net	\$ <u>22,388,670</u>	\$ <u>2,182,215</u>	\$ <u>(1,203,383)</u>	\$ <u>23,367,502</u>

NOTE 7: LONG-TERM BONDS PAYABLE

The bond payable balances at September 30, 2020 are as shown in the chart below:

Governmental Activities	<u>Balance</u>
In 2010, the City issued General Obligation Refunding Bonds, Series 2010 in the amount of \$3,020,000, to refund previously issued Certificates of Obligation. As of year-end, there are no bonds or certificates of obligation considered defeased and outstanding. Interest rates range from 2.00% to 4.25%. The Bonds mature on August 30, 2034.	\$ <u>703,323</u>
Total Governmental Activities	\$ <u>703,323</u>

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: LONG-TERM BONDS PAYABLE - continued

Business-type Activities

In January 2013, the City issued Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2013 in the amount of \$370,000, to provide funds for the planning, acquisition and design costs related to wastewater system improvements. Interest rates range from 0.27% to 2.82%. The Certificates of Obligation mature on August 15, 2022.

\$ 70,000

In July 2016, the City issued Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2016 in the amount of \$3,520,000, pursuant to Subchapter C of Chapter 271, Texas Local Government Code, to finance the sewer and water supply project. Additionally, the Texas Water Development Board (TWDB) provided financial assistance of \$3,520,000 in the form of a grant. The interest rates range from .070% to 3.21%. The Certificates of Obligation mature on August 15, 2037.

3,055,000

Total Business-type Activities

\$ 3,125,000

The following provides a summary of changes in long-term debt and bonds payable:

	Balance at 9/30/2019	Additions	Retirements	Balance at 9/30/2020	Amount Due In One Year
Governmental Activities					
General Obligation Refunding					
Bonds, Series 2010	\$ 2,265,000		\$ 1,561,677	\$ 703,323	\$ 120,000
	<u>\$ 2,265,000</u>	<u>\$ -</u>	<u>\$ 1,561,677</u>	<u>\$ 703,323</u>	<u>\$ 120,000</u>
Business-type Activities					
Certificates of Obligation, Series 2013	\$ 100,000		\$ 30,000	\$ 70,000	\$ 35,000
Certificates of Obligation, Series 2016	\$ 3,175,000		\$ 120,000	\$ 3,055,000	\$ 115,000
	<u>\$ 3,275,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 3,125,000</u>	<u>\$ 150,000</u>
TMRS Pension Liability	\$ 788,094		\$ 226,261	\$ 561,833	
TMRS OPEB Liability	84,277	15,577		99,854	
	<u>\$ 872,371</u>	<u>\$ 15,577</u>	<u>\$ 226,261</u>	<u>\$ 661,687</u>	

Debt service for long-term debt is as follows:

	Year	Principal	Interest	Total
Governmental Activities				
	2021	\$ 120,000	\$ 87,850	\$ 207,850
	2022	125,000	83,050	208,050
	2023	125,000	78,050	203,050
	2024	130,000	73,050	203,050
	2025	135,000	67,850	202,850
	2026	68,323	1,366	69,689
		<u>\$ 703,323</u>	<u>\$ 391,216</u>	<u>\$ 1,094,539</u>
Business-type				
	2021	\$ 150,000	\$ 83,599	\$ 233,599
	2022	155,000	8,123	163,123
	2023	160,000	78,520	238,520
	2024	160,000	75,960	235,960
	2025	165,000	73,112	238,112
	2026-2030	875,000	309,574	1,184,574
	2031-2035	1,010,000	172,323	1,182,323
	2036-2037	450,000	21,828	471,828
		<u>\$ 3,125,000</u>	<u>\$ 823,039</u>	<u>\$ 3,948,039</u>

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: RISK MANAGEMENT – CLAIMS AND JUDGEMENTS

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 liability, professional liability, and worker’s compensation insurance coverage is provided through the purchase of commercial insurance. The City retains risk on only a deductible amount. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage. The employee health care is also provided by commercial insurance with no risk retained by the city. Management has not been notified and is not aware of any significant claims not covered by insurance.

NOTE 9: TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Due To/ Due From

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as Due to or Due from Other Funds.

Due To	Due From	
Utility Fund	General Fund	125,686
General Fund	Convention Visitor Bureau	(97,213)
		\$ 28,473

Funds transferred from one fund to another are recorded as other financing sources/uses in the respective fund.

Transfers In	Transfers Out	
Utility Fund	Economic Development Corporation	\$ 676,368
Utility Fund	General Fund	700,000
		1,376,368

NOTE 10: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Glen Rose participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.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 governing TMRS.

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

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: DEFINED BENEFIT PENSION PLAN - continued

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

	2019	2018
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfer	100% Repeating Transfer
Annuity increase (to retirees)	70% of CPI	70% of CPI
Supplemental Death Benefit to Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

Employees covered by benefit terms.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

	2019	2018
Inactive employees or beneficiaries currently receiving benefits	20	19
Inactive employees entitled to but not yet receiving benefits	18	17
Active employees	28	25
Total	66	61

Contributions

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

Employees for the City of Glen Rose were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City of Glen Rose were 14.57% and 14.60% in calendar years 2019 and 2020, respectively. The city's contributions to TMRS for the year ended September 30, 2020, were \$172,755, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: DEFINED BENEFIT PENSION PLAN - continued

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 annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for the 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 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Minimum %</u>	<u>Target %</u>	<u>Maximum %</u>
Domestic Equity	25%	35%	45%
Core Fixed Income	5%	10%	15%
Non-Core Fixed Income	15%	20%	25%
Real Estate	5%	10%	15%
Real Return	5%	10%	15%
Absolute Return	5%	10%	15%
Private Equity	0%	5%	10%
Cash Equivalents	0%	0%	10%

Discount Rate

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

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: DEFINED BENEFIT PENSION PLAN – continued

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/18	\$ 4,105,128	\$ 3,317,034	\$ 788,094
Changes for the year:			
Service cost	222,175		222,175
Interest	276,750		276,750
Change in benefit terms	-		-
Difference between expected and actual experience	(10,148)		(10,148)
Changes of assumptions	52,577		52,577
Contributions - employer		173,849	(173,849)
Contributions - employee		83,524	(83,524)
Net investment income		513,227	(513,227)
Benefit payments, including refunds of employee contributions	(232,417)	(232,417)	-
Administrative expense		(2,898)	2,898
Other charges		(87)	87
Net changes	<u>308,937</u>	<u>535,198</u>	<u>(226,261)</u>
Balance at 12/31/19	<u>\$ 4,414,065</u>	<u>\$ 3,852,232</u>	<u>\$ 561,833</u>

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	\$ 1,206,947	\$ 561,833	\$ 35,805

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2020, the city recognized pension expense of \$232,013.

At September 30, 2020, the city reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 19,099	\$ 14,459
Changes in actuarial assumptions	38,133	
Difference between projected and actual investment earnings		117,211
Total before subsequent contributions	<u>57,232</u>	<u>131,670</u>
Contributions subsequent to the measurement date	122,844	
Total	<u>\$ 180,076</u>	<u>\$ 131,670</u>

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: DEFINED BENEFIT PENSION PLAN – continued

\$122,844 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:		
2021	\$	(8,616)
2022		(22,294)
2023		14,338
2024		(57,866)

NOTE 11: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”) administered by TMRS. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits Provided

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is affixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan 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. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Employees of the City were required to contribute 0.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.31% and 0.27% in calendar years 2019 and 2020, respectively. The City’s contributions to OPEB for the year ended September 30, 2020 were \$3,334 and were equal to the required contributions.

Total OPEB Liability

The actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefits Fund (SDBF) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - continued

I. Assumptions

- A. Mortality Rates — Same as for the Pension Trust Fund.
- B. Investment Return — A statutory interest credit of 5% is allocated annually and is not dependent on investment earnings.
- C. Actuarial Cost Method — For the purpose of calculating an employer's actuarially determined contribution rate, the one-year term cost is used.
- D. Valuation of Assets — Assets in the SDBF are valued at fund value (or fund balance); however, since the contribution rates are based just on the one-year term cost, assets are not included in developing the rate.
- E. Changes in Actuarial Assumptions and Methods — There were no changes since the prior valuation.

II. Benefit Provisions

- A. Participation in SDBF — Participation in the SDBF is optional and may be rescinded. Each municipality that chooses to participate can elect to cover just active members, or both active and retired members.
- B. Benefit Eligibility — Benefits are payable if the death occurs during the period in which a municipality has elected to participate in the SDBF. For retirees who had service with multiple TMRS employers, benefits are payable only if the municipality from which the member retired participates in the SDBF when the death occurs.
- C. Benefit Amount — The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is a fixed amount of \$7,500.

Discount rate.

The discount rate used to measure the Total OPEB Liability was 2.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/18	\$ 84,277
Changes for the year:	
Service cost	4,057
Interest	3,184
Change in benefit terms	
Difference between expected/actual experience	(4,730)
Changes of assumptions	14,021
Benefit payments	(955)
Net changes	15,577
Balance at 12/31/19	\$ 99,854

Sensitivity of the total OPEB liability to changes in the discount rate

The following shows the total OPEB liability calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City of Glen Rose's net OPEB liability	\$ 119,441	\$ 99,854	\$ 84,435

OPEB Plan Total Liability

Detailed information about the OPEB plan's Total OPEB Liability is available in a separately issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - continued

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

For the year ended September 30, 2020, the City recognized OPEB expense in the amount of \$10,323.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 5,169	\$ 3,836
Changes in actuarial assumptions	13,770	3,436
Contributions subsequent to the measurement date	<u>2,272</u>	<u> </u>
Total	<u>\$ 21,211</u>	<u>\$ 7,272</u>

\$2,272 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ended September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Fiscal year ended September 30,		
2021	\$	3,082
2022		3,082
2023		2,880
2024		2,112
2025		511

NOTE 12: HEALTH CARE COVERAGE

Employee Health Care Coverage

During the year ended September 30, 2020, employees of the City were covered by a health insurance plan (the Plan). Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

NOTE 13: COMMITMENTS AND CONTINGENCIES

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

NOTE 14: PRIOR PERIOD ADJUSTMENT

During the year, it was discovered the receivable for motel tax was overstated. The overstatement caused a decrease in fund balance/net position of \$32,593.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: NEW ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87 *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. GASB No. 95 postponed the effective date 18 months. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2018, the GASB issued Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. GASB No. 95 postponed the effective date one year. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In August 2018, the GASB issued Statement No. 90 *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. GASB No. 95 postponed the effective date one year. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2019, the GASB issued Statement No. 91 *Conduit debt obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2021 due to GASB No. 95. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92 *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2021. GASB No. 95 postponed the effective date for one year. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: NEW GASB STATEMENTS – continued

In March 2020, the GASB issued Statement No. 93 *Replacement of Interbank Offered Rates*. The objective of the Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for reporting periods ending after December 15, 2021. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2022. GASB No. 95 postponed the implementation by one year. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2020, the GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018. And later. The following statements are postponed by one year: 83, 84, 88, 89, 90, 91, 92 and 93. The following statement is postponed by 18 months: No. 87. The requirements of this Statement are effective immediately.

In May 2020, the GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement is effective for years beginning after June 15, 2022. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2020, the GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements Nos. 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements, and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GLEN ROSE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property tax	\$ 772,200	\$ 772,200	\$ 756,990	\$ (15,210)
Sales tax	1,300,000	1,300,000	1,302,527	2,527
Gross receipt tax	200,000	200,000	182,566	(17,434)
Beverage tax	11,372	11,372	13,041	1,669
Total taxes	<u>2,283,572</u>	<u>2,283,572</u>	<u>2,255,124</u>	<u>(28,448)</u>
Other				
Licenses and permits	35,000	35,000	75,775	40,775
Fines and forfeitures	88,110	88,110	80,663	(7,447)
Charges for services			77,066	77,066
Investment income	20,000	20,000	56,666	36,666
Rental income	660,220	660,220	614,995	(45,225)
Grant revenue	1,500,000	1,500,000	29,500	(1,470,500)
Miscellaneous income	50,400	50,400	37,917	(12,483)
Total other	<u>2,353,730</u>	<u>2,353,730</u>	<u>972,582</u>	<u>(1,381,148)</u>
Total Revenues	<u>4,637,302</u>	<u>4,637,302</u>	<u>3,227,706</u>	<u>(1,409,596)</u>
EXPENDITURES				
General government	509,264	511,464	461,543	49,921
Public safety	575,924	589,269	434,222	155,047
Highways and streets	2,257,322	2,257,622	573,172	1,684,450
Culture and recreation	931,870	930,370	556,808	373,562
Debt service	2,707,450	2,707,450	1,654,127	1,053,323
Non-Departmental	555,472	538,127	201,407	336,720
Total expenditures	<u>7,537,302</u>	<u>7,534,302</u>	<u>3,881,279</u>	<u>3,653,023</u>
Excess (Deficiency) of Revenues over (Under)				
Expenditures	<u>(2,900,000)</u>	<u>(2,897,000)</u>	<u>(653,573)</u>	<u>2,243,427</u>
OTHER FINANCING SOURCES / (USES)				
Transfers	400,000	400,000	(700,000)	(1,100,000)
Sale of asset	2,500,000	2,500,000	1,500,050	(999,950)
Total other financing sources /(uses)	<u>2,900,000</u>	<u>2,900,000</u>	<u>800,050</u>	<u>(2,099,950)</u>
Net Change in Fund Balance		3,000	146,477	143,477
Fund Balance - Beginning	<u>6,071,472</u>	<u>6,071,472</u>	<u>6,071,472</u>	
Fund Balance - Ending	<u>\$ 6,071,472</u>	<u>\$ 6,074,472</u>	<u>\$ 6,217,949</u>	<u>\$ 143,477</u>

CITY OF GLEN ROSE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TMRS PENSION

Last 10 Years (will ultimately be displayed)

	Plan Year Ended December 31,			
	2019	2018	2017	2016
Total pension liability				
Service cost	\$ 222,175	\$ 229,008	\$ 230,912	\$ 185,563
Interest (on the total pension liability)	276,750	259,616	237,251	219,515
Changes in benefit terms				
Difference between expected and actual experience	(10,148)	(13,525)	59,139	59,890
Change of assumptions	52,577			
Benefit payments, including refunds of employee contributions	(232,417)	(203,257)	(186,779)	(262,987)
Net Change in Total Pension Liability	<u>308,937</u>	<u>271,842</u>	<u>340,523</u>	<u>201,981</u>
Total Pension Liability - Beginning	<u>4,105,128</u>	<u>3,833,286</u>	<u>3,492,763</u>	<u>3,290,782</u>
Total Pension Liability - Ending	<u>\$ 4,414,065</u>	<u>\$ 4,105,128</u>	<u>\$ 3,833,286</u>	<u>\$ 3,492,763</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 173,849	\$ 181,590	\$ 179,021	\$ 155,068
Contributions - employee	83,524	85,771	86,484	71,039
Net investment income	513,227	(100,568)	399,221	184,819
Benefit payments, including refunds of employee contributions	(232,417)	(203,257)	(186,779)	(262,987)
Administrative expense	(2,898)	(1,943)	(2,068)	(2,087)
Other	(87)	(102)	(105)	(113)
Net Change in Plan Fiduciary Net Position	<u>535,198</u>	<u>(38,509)</u>	<u>475,774</u>	<u>145,739</u>
Plan Fiduciary Net Position - Beginning	<u>3,317,034</u>	<u>3,355,543</u>	<u>2,879,769</u>	<u>2,734,030</u>
Plan Fiduciary Net Position - Ending	<u>\$ 3,852,232</u>	<u>\$ 3,317,034</u>	<u>\$ 3,355,543</u>	<u>\$ 2,879,769</u>
Net Pension Liability - Ending	\$ 561,833	\$ 788,094	\$ 477,743	\$ 612,994
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.27%	80.80%	87.54%	82.45%
Covered Employee Payroll	\$ 1,193,206	\$ 1,225,299	\$ 1,235,483	\$ 1,002,501
Net Pension Liability as a Percentage of Covered Employee Payroll	47.09%	64.32%	38.67%	61.15%

	<u>2015</u>	<u>2014</u>
\$	176,861	\$ 133,111
	222,569	209,657
	(124,432)	3,795
	30,587	
	<u>(211,845)</u>	<u>(156,120)</u>
	93,740	190,443
	<u>3,197,042</u>	<u>3,006,599</u>
\$	<u><u>3,290,782</u></u>	<u><u>3,197,042</u></u>

\$	130,937	\$ 117,433
	65,853	61,440
	4,055	147,549
	(211,845)	(156,120)
	(2,469)	(1,540)
	<u>(122)</u>	<u>(127)</u>
	(13,591)	168,635
	<u>2,747,621</u>	<u>2,578,986</u>
\$	<u><u>2,734,030</u></u>	<u><u>2,747,621</u></u>

\$	556,752	\$ 449,421
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	83.08%	85.94%
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\$	940,753	\$ 890,879
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	59.18%	50.45%
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CITY OF GLEN ROSE
SCHEDULE OF CONTRIBUTIONS - TMRS PENSION

Last 10 Fiscal Years (will ultimately be displayed)

	Fiscal Year Ended September 30,			
	2020	2019	2018	2017
Actuarially Determined Contribution	\$ 172,755	\$ 173,026	\$ 182,969	\$ 175,544
Contributions in relation to the actuarially determined contribution	\$ (172,755)	\$ (173,026)	\$ (182,969)	\$ (175,544)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,183,958	\$ 1,181,869	\$ 1,242,364	\$ 1,174,192
Contribution as a percentage of covered employee payroll	14.59%	14.64%	14.73%	14.95%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on 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: PUM(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.

	<u>2016</u>		<u>2015</u>
\$	146,803	\$	128,304
\$	<u>(146,803)</u>	\$	<u>(128,304)</u>
\$	-	\$	-
\$	975,973	\$	909,946
	15.04%		14.10%

CITY OF GLEN ROSE
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY - TMRS
Last 10 Years (will ultimately be displayed)

	Plan Year Ended December 31,		
	2019	2018	2017
Total OPEB liability			
Service cost	\$ 4,057	\$ 6,617	\$ 5,930
Interest (on the total pension liability)	3,184	2,527	2,408
Changes in benefit terms			
Difference between expected and actual experience	(4,730)	7,911	
Change of assumptions	14,021	(5,260)	5,000
Benefit payments, including refunds of employee contributions	(955)	(1,103)	(988)
Net Change in Total OPEB Liability	<u>15,577</u>	<u>10,692</u>	<u>12,350</u>
Total OPEB Liability - Beginning	<u>84,277</u>	<u>73,585</u>	<u>61,235</u>
Total OPEB Liability - Ending	<u><u>\$ 99,854</u></u>	<u><u>\$ 84,277</u></u>	<u><u>\$ 73,585</u></u>
Covered Employee Payroll	<u><u>\$ 1,193,206</u></u>	<u><u>\$ 1,225,299</u></u>	<u><u>\$ 1,235,483</u></u>
Total OPEB Liability as a Percentage of Covered Employee Payroll	8.37%	6.88%	5.96%

OTHER INFORMATION REQUIRED BY GAO

Merritt, McLane & Hamby, P.C.

401 Cypress Street, Suite 303
Abilene, TX 79601

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

To the City Council
City of Glen Rose, 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, the discretely presented component unit, and each major fund of the City of Glen Rose, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Glen Rose, Texas' basic financial statements, and have issued our report thereon dated December 4, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Glen Rose, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Glen Rose, Texas' 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Compliance and Other Matters

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

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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Merritt, McLane & Hamby, P.C.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
December 4, 2020

CITY OF GLEN ROSE

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2020

I. Summary of Auditor's Report

- a. The type of report issued on the financial statements of the City of Glen Rose was an unqualified opinion.
- b. No material weaknesses were disclosed during the audit of the financial statements. No significant deficiencies were reported.
- c. No instances of noncompliance material to the financial statements of the City of Glen Rose were disclosed during the audit.

II. Findings Required to be Reported in Accordance with *Government Auditing Standards*.

None

CITY OF GLEN ROSE

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2020

Findings/Noncompliance

2019-001 Financial Reporting

Type of Finding: Material Weakness

Criteria: Management of the City is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In addition, we recorded numerous audit adjustments to the City's recorded account balances, which if not recorded, would have resulted in a material misstatement of the City's financial statements.

Cause: The City does not prepare and has not developed an internal control system to provide for the preparation of the financial statements and related disclosures without significant adjustments.

Effect: Although this circumstance is not unusual for a City of this size, the preparation of financial statements and adjusting journal entries as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by City personnel. The need for the audit adjustments indicates that the City's interim financial information is not materially correct, which may affect management decisions made during the course of the year.

Recommendation: Auditing standards require that auditors communicate this deficiency; however, the City prepares budgetary and other financial reports for Board review on a routine basis. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

View of Responsible

Officials: Management is aware of the noted finding. A third-party accountant has been brought in and the number of adjustments has decreased in the current year.

Contact: Michael Leamons, City Administrator
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