

CITY OF THROCKMORTON, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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Independent Auditor's Report

UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION
AND OTHER INFORMATION

City Commission
City of Throckmorton, Texas
116 N. Minter Ave.
Throckmorton, Texas 76483

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of City of Throckmorton, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2021. Please read it in conjunction with the independent auditor's report on page 1 and the City's Basic Financial Statements which begin on page 10.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 - 11). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 4. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as revenue sharing programs from other governments received and fees charged for utility services (program revenues), and revenues provided by the taxpayers or by the State of Texas (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

Table I
City of Throckmorton, Texas
Net Position

	Governmental Activities 2021	Governmental Activities 2020	Variance Increase/ (Decrease)
Current and other assets	\$ 538,550	\$ 410,301	\$ 128,249
Capital assets	1,123,943	1,217,029	(93,086)
Deferred resource outflows related to TMRS	8,954	10,232	(1,278)
Total assets and deferred resource outflows	1,671,447	1,637,562	33,885
Long-term liabilities	9,429	9,056	373
Other liabilities	18,308	16,883	1,425
Deferred resource inflows related to TMRS	12,884	7,979	4,905
Total liabilities and deferred resource inflows	40,621	33,918	6,703
Net position:			
Net investment in capital assets	1,111,437	1,213,239	(101,802)
Unrestricted	519,389	390,405	128,984
Total net position	\$ 1,630,826	\$ 1,603,644	\$ 27,182
	Business-type Activities 2021	Business-type Activities 2020	Variance Increase/ (Decrease)
Current and other assets	\$ 64,610	\$ 50,689	\$ 13,921
Capital assets	1,103,483	1,163,553	(60,070)
Deferred resource outflows related to TMRS	17,714	20,243	(2,529)
Total assets and deferred resource outflows	1,185,807	1,234,485	(48,678)
Long-term liabilities	306,087	367,852	(61,765)
Other liabilities	258,433	240,454	17,979
Deferred resource inflows related to TMRS	25,499	15,794	9,705
Total liabilities and deferred resource inflows	590,019	624,100	(34,081)
Net position:			
Net investment in capital assets	826,918	838,641	(11,723)
Unrestricted	(231,130)	(228,256)	(2,874)
Total net position	\$ 595,788	\$ 610,385	\$ (14,597)

Table II - Continued
City of Throckmorton, Texas
Changes in Net Position

	Business-type Activities 2021	Business-type Activities 2020	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 615,540	\$ 574,778	\$ 40,762
Operating grants and contributions	15,125	0	15,125
Transfers	36,810	36,483	327
Total Revenues	667,475	611,261	56,214
Expenses:			
Water	371,713	358,857	(12,856)
Sewer	111,783	105,684	(6,099)
Garbage	185,051	148,780	(36,271)
Interest on debt	13,525	16,696	3,171
Total Expenses	682,072	630,017	(52,055)
Increase in Net Position	(14,597)	(18,756)	4,159
Net Position - beginning of year	610,385	629,141	(18,756)
Prior Period Adjustment	0	0	0
Net Position - end of year	\$ 595,788	\$ 610,385	\$ (14,597)

The City's total revenue of its governmental funds increased by \$26,775 from the previous year. Sales and mixed drink taxes were higher by \$58,037 from last year. Operating grants and contributions were lower by \$69,041 due to prior year airport grants and contributions not received in the current year. Charges for services increased by \$29,628 due to RV park revenues received this year. Other revenues were comparable to last year. Total net expenses were lower by \$44,481. Decreases in general government expenses were due to reduced payroll and benefits (group health insurance) and animal control expenses. Street expenses were less due to street maintenance and depreciation expenses.

The City's total revenues of its business-type activities increased by \$56,214 for the year consisting of higher water sales and federal grant revenues. Total expenses of the City's business-type activities increased by \$52,055 for the year. Water and sewer department expenses increased due to higher payroll and related benefits. Garbage department expenses increased due to higher contracted services for garbage collections.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$502,443, an increase of \$130,412 in the City's governmental funds from last year's fund balance of \$372,031. The surplus mirrors the discussion above with the exception of capitalized costs and depreciation expenses not reported at the fund level. Those variances are presented in the financial statement on page 15.

The City's originally adopted budget was not amended during the year.

The City's General Fund balance of \$496,444 reported on pages 14 and 34 differs from the projected budgetary fund balance of \$354,682. The net budget variances were total revenues and expenditures which were more favorable than budgeted.

BASIC FINANCIAL STATEMENTS

CITY OF THROCKMORTON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Governmental Activities	Business-type Activities	Totals (Memo Only)		Total
			Primary Government	Component Unit	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 359,575	\$ 25	\$ 359,600	\$ 65,350	\$ 424,950
Property taxes receivable (net of est uncollectible)	17,799	-	17,799	-	17,799
Accounts receivable	-	64,585	64,585	-	64,585
Due from other governments	18,711	-	18,711	6,237	24,948
Other current assets	4,082	-	4,082	-	4,082
Internal balances	138,383	-	138,383	-	138,383
Total current assets	538,550	64,610	603,160	71,587	674,747
Noncurrent assets:					
Capital assets					
Land and improvements	37,128	-	37,128	-	37,128
Infrastructure	3,233,467	4,203,858	7,437,325	-	7,437,325
Buildings and improvements	53,966	-	53,966	-	53,966
Furniture and equipment	518,414	304,484	822,898	-	822,898
Less: accumulated depreciation	(2,731,538)	(3,429,597)	(6,161,135)	-	(6,161,135)
Total capital assets	1,111,437	1,078,745	2,190,182	-	2,190,182
Net pension asset	12,506	24,738	37,244	-	37,244
Total noncurrent assets	1,123,943	1,103,483	2,227,426	-	2,227,426
TOTAL ASSETS	1,662,493	1,168,093	2,830,586	71,587	2,902,173
DEFERRED OUTFLOWS OF RESOURCES					
Deferrals related to TMRS retirement	6,823	13,501	20,324	-	20,324
Deferrals related to TMRS OPEB	2,131	4,213	6,344	-	6,344
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,954	17,714	26,668	-	26,668
LIABILITIES					
Current liabilities:					
Accounts payable	10,965	23,694	34,659	-	34,659
Accrued liabilities	7,343	-	7,343	-	7,343
Accrued interest payable	-	2,073	2,073	-	2,073
Unearned revenue	-	94,283	94,283	-	94,283
Internal balances	-	138,383	138,383	-	138,383
Current portion of long-term debt	-	69,000	69,000	-	69,000
Total current liabilities	18,308	327,433	345,741	-	345,741
Noncurrent liabilities:					
Customer deposits	-	37,684	37,684	-	37,684
Revenue bonds payable	-	249,754	249,754	-	249,754
Total OPEB liability	9,429	18,649	28,078	-	28,078
Less: current portion of long-term debt	-	(69,000)	(69,000)	-	(69,000)
Total noncurrent liabilities	9,429	237,087	246,516	-	246,516
TOTAL LIABILITIES	27,737	564,520	592,257	-	592,257
DEFERRED INFLOWS OF RESOURCES					
Deferrals related to TMRS retirement	11,634	23,025	34,659	-	34,659
Deferrals related to TMRS OPEB	1,250	2,474	3,724	-	3,724
TOTAL DEFERRED INFLOWS OF RESOURCES	12,884	25,499	38,383	-	38,383
NET POSITION					
Net investment in capital assets	1,111,437	826,918	1,938,355	-	1,938,355
Unrestricted	519,389	(231,130)	288,259	71,587	359,846
TOTAL NET POSITION	\$ 1,630,826	\$ 595,788	\$ 2,226,614	\$ 71,587	\$ 2,298,201

The accompanying notes are an integral part of this statement.

CITY OF THROCKMORTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Hotel/Motel Fund	Totals (Memo Only) Primary Government	Component Unit	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 353,020	\$ 6,555	\$ 359,575	\$ 65,350	\$ 424,925
Property taxes receivable (net of est. uncollect)	17,799	-	17,799	-	17,799
Due from other governments	18,711	-	18,711	6,237	24,948
Other current assets	4,082	-	4,082	-	4,082
Due from other funds	138,939	-	138,939	-	138,939
TOTAL ASSETS	\$ 532,551	\$ 6,555	\$ 539,106	\$ 71,587	\$ 610,693
LIABILITIES, DEFERRED INFLOWS & FUND EQUITIES					
LIABILITIES					
Accounts payable	\$ 10,965	\$ -	\$ 10,965	\$ -	\$ 10,965
Accrued liabilities	7,343	-	7,343	-	7,343
Due to other funds	-	556	556	-	556
TOTAL LIABILITIES	18,308	556	18,864	-	18,864
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	17,799	-	17,799	-	17,799
TOTAL DEFERRED INFLOWS OF RESOURCES	17,799	-	17,799	-	17,799
FUND EQUITIES					
Fund balances:					
Unassigned	496,444	5,999	502,443	71,587	574,030
TOTAL FUND EQUITIES	496,444	5,999	502,443	71,587	574,030
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND EQUITIES	\$ 532,551	\$ 6,555	\$ 539,106	\$ 71,587	\$ 610,693

The accompanying notes are an integral part of this statement.

CITY OF THROCKMORTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Hotel/Motel Fund	Totals (Memo Only) Primary Government	Component Unit	Total Governmental Funds
REVENUES					
Ad valorem taxes (including penalties and interest)	\$ 233,941	\$ -	\$ 233,941	\$ -	\$ 233,941
Sales, mixed drink and hotel/motel tax	170,113	4,054	174,167	56,658	230,825
Franchise taxes	22,827	-	22,827	-	22,827
Swimming pool	2,456	-	2,456	-	2,456
Rent/leases	43,092	-	43,092	-	43,092
Interest	155	-	155	33	188
Grant and contributions revenue	30,511	-	30,511	-	30,511
Miscellaneous	15,706	-	15,706	-	15,706
TOTAL REVENUES	518,801	4,054	522,855	56,691	579,546
EXPENDITURES					
General government	236,749	-	236,749	25,139	261,888
Public recreation and culture	33,870	-	33,870	-	33,870
Public safety	38,057	-	38,057	-	38,057
Streets	46,957	-	46,957	26,389	73,346
TOTAL EXPENDITURES	355,633	-	355,633	51,528	407,161
EXCESS REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER SOURCES (USES)	163,168	4,054	167,222	5,163	172,385
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	(36,810)	-	(36,810)	-	(36,810)
TOTAL OTHER FINANCING SOURCES (USES)	(36,810)	-	(36,810)	-	(36,810)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	126,358	4,054	130,412	5,163	135,575
FUND BALANCE - BEGINNING	370,086	1,945	372,031	66,424	438,455
FUND BALANCE - ENDING	\$ 496,444	\$ 5,999	\$ 502,443	\$ 71,587	\$ 574,030

The accompanying notes are an integral part of this statement.

CITY OF THROCKMORTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2021

	Water, Sewer & Garbage Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 25
Accounts receivable (net of est for uncollectible)	64,585
Total current assets	64,610
Noncurrent assets:	
Capital assets:	
Infrastructure	4,203,858
Property, plant and equipment	304,484
Less: accumulated depreciation	(3,429,597)
Total capital assets	1,078,745
Net pension asset	24,738
Total noncurrent assets	1,103,483
TOTAL ASSETS	1,168,093
 DEFERRED OUTFLOWS OF RESOURCES	
Deferrals related to TMRS retirement	13,501
Deferrals related to TMRS OPEB	4,213
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,714
 LIABILITIES	
Current liabilities:	
Accounts payable	23,694
Accrued interest payable	2,073
Unearned revenue	94,283
Due to other funds	138,383
Current portion of long-term debt	69,000
Total current liabilities	327,433
Noncurrent liabilities:	
Customer deposits	37,684
Revenue bonds payable	249,754
Total OPEB liability	18,649
Less: current portion of long-term debt	(69,000)
Total noncurrent liabilities	237,087
TOTAL LIABILITIES	564,520
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to TMRS retirement	23,025
Deferred inflows related to TMRS OPEB	2,474
TOTAL DEFERRED INFLOWS OF RESOURCES	25,499
 NET POSITION	
Net investment in capital assets	826,918
Unrestricted	(231,130)
TOTAL NET POSITION	\$ 595,788

The accompanying notes are an integral part of this statement.

CITY OF THROCKMORTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water, Sewer & Garbage Fund
	Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 604,117
Cash payments to suppliers for goods and services	(418,640)
Cash payments to employees for services (and related benefit payments)	(168,865)
NET CASH PROVIDED BY OPERATING ACTIVITIES	16,612
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash payments for long-term debt retirement	(65,000)
Cash received from grants and contributions	109,408
Cash paid for asset additions	(28,165)
Cash paid on interfund borrowing and transfers (net)	(18,742)
Cash payments for interest	(14,113)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(16,612)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents - beginning of year	25
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 25
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (53,007)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	105,476
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(13,921)
(Increase) decrease in retirement/OPEB assets net of deferred resource inflows/outflows	(4,270)
Increase (decrease) in accounts payable	(14,475)
Increase (decrease) in accrued liabilities	(5,689)
Increase (decrease) in meter deposits	2,498
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 16,612

The accompanying notes are an integral part of this statement.

CITY OF THROCKMORTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2021

I. Summary of significant accounting policies

City of Throckmorton, Texas (the "City") is a charter city in which citizen elect the mayor at large and five council members. The financial statements of the City are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The City's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. Proprietary funds apply only those Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. Reporting entity

For financial reporting purposes, the City includes all funds and account groups for which the City is considered to be financially accountable. The criteria used by the City for including activities in preparing its financial statements are in conformity with GASB Statement 14, "The Financial Reporting Entity."

The accompanying financial statements present the City's primary government and component unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

The Throckmorton Economic Development Corporation is a non-profit corporation specifically governed by Section 4B of the Development Corporation Act of 1979, Tex. Rev. Civ. Stat. Ann. Art 5190.6. The Corporation was organized exclusively for the purposes of benefitting and accomplishing public purposes of the City by promoting, assisting and enhancing economic development activities for the City as provided by the Development Corporation Act of 1979. The Throckmorton Economic Development Corporation does not meet the criteria for blending and is, therefore, reported discretely using a government fund type.

B. Government-wide and fund financial statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City and its component unit(s) nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, franchise fees, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include fees charged for use of the public swimming pool, fines, etc. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. Examples include grants under the U.S. Department of Agriculture Rural Development Program. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (the "TMRS") and additions to/deductions from TMRS' Fiduciary Net Position have been determined on the same basis as they are reported to 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.

F. Other Post-Employment Benefits (OPEB)

The total OPEB liability of the Texas Municipal Retirement System (the "TMRS") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits and OPEB expense. 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.

G. Other accounting policies

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The City reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the period incurred.

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

4. The City's policy does permits employees to accumulate unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Asset:</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Streets	20
Vehicles	10
Equipment	7
Technology Equipment	5

III. Detailed notes on all funds

A. Deposits and investments

City Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk - The City limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in any foreign currency.

City Policies and Legal and Contractual Provisions Governing Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2021, the City had the following investments.

Investment Type	Investment Maturities (in years)				
	Fair Value	Less than 1 Year	1-5	6-10	More Than 10
Certificate of deposit	\$ 12,334	\$ 12,334			
Investment pool	195,049	195,049			
Total	<u>\$ 207,383</u>	<u>\$ 207,383</u>			

Additional policies and contractual provisions governing deposits and investments for the City are specified below:

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments in certificates of deposit or publicly funded investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2021, the City's investments in certificates of deposit and investment pools were rated A1 by Standard and Poor's.

Custodial Credit Risk for Investments - To limit the risk that, in the even of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the City requires counterparties to register the securities in the name of the City and hand them over to the City or its designated agent. This included securities in securities lending transactions. All of the securities are in the City's name and held by the City or its agent.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the City limits investments to less than 5% of its total investments. The City further limits investments in a single issuer when they would cause investment risk to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments - The City limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to zero.

The City had no investments other than certificates of deposit or investment pool money market accounts for the year.

Payables at September 30, 2021 were as follows:

	Accounts	Salaries and Benefits	Accrued Interest	Total Payables
Governmental Activities:				
General Fund	\$ 10,965	\$ 7,343	\$ 0	\$ 18,308
Total Governmental Activities	\$ 10,965	\$ 7,343	\$ 0	\$ 18,308
Business-type Activities:				
Enterprise Fund	\$ 23,694	\$ 0	\$ 2,073	\$ 25,767
Total Business-type Activities	\$ 23,694	\$ 0	\$ 2,073	\$ 25,767

F. Capital asset activity

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

	Balance 9/30/2020	Additions	Deletions	Balance 9/30/2021
Governmental activities:				
Land	\$ 37,128			\$ 37,128
Infrastructure	3,233,467			3,233,467
Buildings	53,966			53,966
Furniture and equipment	494,774	23,640		518,414
Totals	3,819,335	23,640		3,842,975
Less accum depreciation for:				
Infrastructure	2,227,618	99,238		2,326,856
Buildings and improvements	9,626	1,519		11,145
Furniture and equipment	368,852	24,685		393,537
Total accum depreciation	2,606,096	125,442		2,731,538
Governmental activities capital assets, net	\$ 1,213,239	\$ (101,802)		\$ 1,111,437
Business-type activities:				
Water & sewer system	\$ 4,188,733	\$ 15,125		\$ 4,203,858
Furniture and equipment	291,444	13,040		304,484
Totals	4,480,177	28,165		4,508,342
Less accum depreciation for:				
Water & sewer system	3,063,247	92,146		3,155,393
Furniture and equipment	260,874	13,330		274,204
Total accum depreciation	3,324,121	105,476		3,429,597
Business-type activities capital assets, net	\$ 1,156,056	\$ (77,311)		\$ 1,078,745

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

Governmental activities:	
General government	\$ 59,383
Public recreation and culture	15,045
Public safety	342
Streets	50,672
Total depreciation expense - governmental activities	\$ 125,442
Business-type activities:	
Water	\$ 99,558
Sewer	5,918
Total depreciation expense - business-type activities	\$ 105,476

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provision are adopted by the governing board 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.

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:

	Plan Year 2020
Employee deposit rate	5.0%
Matching ratio (city to employee)	1.5 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% repeating
Annuity increase (to retirees)	70% of CPI repeating

Contributions

The contribution rates for employees in TMRS are 5%, of employee gross earnings, and the City matching percentages are 100%, 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 of the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 4.91% and 6.19% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 31, 2021 were \$9,846 and were equal to the required contributions.

Net Pension Liability

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

Inflation	2.5% per year
Overall payroll growth	3.5% per year

Investment rate of return 6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2020, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2014 through December 31, 2018, first used in the December 31, 2010 valuation. Health post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2014 through 2018. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2020 valuation.

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability / (asset)	\$ 54,992	\$ (37,244)	\$ 111,937

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$1,697.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience (net of current year amortization)	\$ 9,132	\$ 14,183
Changes in actuarial assumptions	3,255	
Differences between projected and actual investment earnings (net of current year amortization)		20,476
Contributions subsequent to the measurement date	7,937	
Total	\$ 20,324	\$ 34,659

\$7,937 reported as deferred outflows of resources related to pension 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 pension will be recognized in pension expense as follows:

Fiscal year ended September 30,	
2022	\$ (6,512)
2023	\$ 1,614
2024	\$ (16,192)
2025	\$ (1,182)
2026	\$ 0
Thereafter	\$ 0

L. OPEB - Supplemental death benefits plan

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 a fixed 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.

<i>Changes in the Total OPEB Liability</i>	Total OPEB Liability
	Balance at 12/31/2019
Changes for the year:	
Service cost	716
Interest	749
Change in benefit terms	
Difference between expected/actual experience	(3,520)
Changes in assumptions	3,348
Contributions - employer	
Contributions - employee	
Net investment income	
Benefit payments, including refunds of employee contributions	(183)
Administrative expenses	
Other charges	
Net changes	1,110
Balance at 12/31/2020	\$ 28,078

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

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB liability	\$ 33,520	\$ 28,078	\$ 23,713

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.tmrs.com.

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$2,192.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience (net of current year amortization)	\$ 10	\$ 3,151
Changes in actuarial assumptions	5,795	573
Differences between projected and actual investment earnings (net of current year amortization)		
Contributions subsequent to the measurement date	539	
Total	\$ 6,344	\$ 3,724

\$539 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 ending September 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF THROCKMORTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes (including penalties and interest)	\$ 230,743	\$ 230,743	\$ 233,941	\$ 3,198
Sales and mixed drink tax	120,000	120,000	170,113	50,113
Franchise taxes	22,000	22,000	22,827	827
Swimming pool	3,000	3,000	2,456	(544)
Rent/leases	13,200	13,200	43,092	29,892
Interest	150	150	155	5
Grant revenue	50,000	50,000	30,511	(19,489)
Miscellaneous	8,500	8,500	15,706	7,206
TOTAL REVENUES	447,593	447,593	518,801	71,208
EXPENDITURES				
General government	303,607	303,607	236,749	66,858
Public recreation and culture	28,500	28,500	33,870	(5,370)
Public safety	36,790	36,790	38,057	(1,267)
Streets	48,900	48,900	46,957	1,943
TOTAL EXPENDITURES	417,796	417,796	355,633	62,163
EXCESS REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER SOURCES (USES)	29,796	29,796	163,168	133,372
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(45,200)	(45,200)	(36,810)	8,390
TOTAL OTHER FINANCING SOURCES (USES)	(45,200)	(45,200)	(36,810)	8,390
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(15,404)	(15,404)	126,358	141,762
FUND BALANCE - UNRESERVED - BEGINNING	370,086	370,086	370,086	-
FUND BALANCE - UNRESERVED - ENDING	\$ 354,682	\$ 354,682	\$ 496,444	\$ 141,762

CITY OF THROCKMORTON, TEXAS
 SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Fiscal Year Ended September 30,						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 9,846	\$ 7,285	\$ 7,051	\$ 7,147	\$ 7,987	\$ 8,274	\$ 9,690
Contributions in relation to actuarially determined contribution	(9,846)	(7,285)	(7,051)	(7,147)	(7,987)	(8,274)	(9,690)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 167,099	\$ 151,054	\$ 148,832	\$ 131,347	\$ 124,994	\$ 118,707	\$ 130,579
Contributions as a percentage of covered payroll	5.89%	4.82%	4.74%	5.44%	6.39%	6.97%	7.42%

CITY OF THROCKMORTON, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Defined Benefit Pension Plan

Changes of benefit terms.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefit Plan

Changes of benefit terms.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes of assumptions.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

OTHER SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CITY OF THROCKMORTON, TEXAS
OPERATING SEGMENTS - WATER, SEWER, GARBAGE FUND
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water Department	Sewer Department	Garbage Department	Total Proprietary Fund
OPERATING REVENUES				
Sales and services rendered	\$ 354,579	\$ 92,032	\$ 133,354	\$ 579,965
Other operating revenues	4,844	3,441	27,290	35,575
Total operating revenues	<u>359,423</u>	<u>95,473</u>	<u>160,644</u>	<u>615,540</u>
OPERATING EXPENSES				
Personnel services - salaries and benefits	115,126	30,821	12,959	158,906
Maintenance, operations and contracted services	157,029	75,044	172,092	404,165
Depreciation expense	99,558	5,918	-	105,476
Total operating expenses	<u>371,713</u>	<u>111,783</u>	<u>185,051</u>	<u>668,547</u>
Operating income (loss)	<u>(12,290)</u>	<u>(16,310)</u>	<u>(24,407)</u>	<u>(53,007)</u>
NONOPERATING REVENUES (EXPENSES)				
Interfund transfers	36,810	-	-	36,810
Grants and contributions	15,125	-	-	15,125
Interest on revenue bonds and leases	(13,525)	-	-	(13,525)
Total nonoperating revenues (expenses)	<u>38,410</u>	<u>-</u>	<u>-</u>	<u>38,410</u>
Change in net position	<u>\$ 26,120</u>	<u>\$ (16,310)</u>	<u>\$ (24,407)</u>	<u>\$ (14,597)</u>

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

Independent Auditor's Report

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

City Commission
City of Throckmorton, Texas
116 N. Minter Ave.
Throckmorton, Texas 76483

I 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Throckmorton, Texas (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated June 14, 2022.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

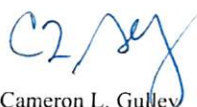
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I identified no deficiencies in internal control that I considered to be a material weakness. However, other material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Throckmorton, Texas' financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Cameron L. Gulley
Certified Public Accountant

June 14, 2022

CITY OF THROCKMORTON, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Finding	Statement of Condition	Material Weakness?	Questioned Costs
	None reported.		

CITY OF THROCKMORTON, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

A. Summary of Auditor's Results

Type of auditor's report issued: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified? No..

Significant deficiency(ies) identified that are not considered to be material weaknesses? No.

Noncompliance material to financial statements noted? No.

An unmodified opinion was issued on the general purpose financial statements.

The audit disclosed no noncompliance which is material to the general purpose financial statements.

B. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None.

C. Findings and Questioned Costs for Federal Awards

N/A.

CITY OF THROCKMORTON, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2021

None required.

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CITY OF THROCKMORTON, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Plan Year Ended December 31,			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 716	\$ 483	\$ 621	\$ 490
Interest (on the total OPEB liability)	749	818	744	740
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(3,520)	(411)	31	-
Change of assumptions	3,348	4,380	(1,590)	1,736
Benefit payments, including refunds of employee contributions	(183)	(220)	(138)	(110)
Net Change in Total OPEB Liability	1,110	5,050	(332)	2,856
Total OPEB Liability - Beginning	26,968	21,918	22,250	19,394
Total OPEB Liability - Ending	<u>\$ 28,078</u>	<u>\$ 26,968</u>	<u>\$ 21,918</u>	<u>\$ 22,250</u>
Covered Payroll	\$ 152,347	\$ 146,429	\$ 137,969	\$ 122,589
Total OPEB Liability as a Percentage of Covered Payroll	18.43%	18.42%	15.89%	18.15%

CITY OF THROCKMORTON, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Plan Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 16,149	\$ 15,316	\$ 14,639	\$ 13,191	\$ 12,408	\$ 13,993	\$ 11,601
Interest (on the total pension liability)	46,158	43,845	42,297	41,406	43,321	43,881	42,731
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(19,378)	17,583	6,169	(2,157)	(38,157)	(292)	(4,926)
Change of assumptions	-	6,609	-	-	-	(2,522)	-
Benefit payments, including refunds of employee contributions	(55,103)	(43,907)	(37,132)	(42,777)	(49,903)	(28,779)	(39,559)
Net Change in Total Pension Liability	(12,174)	39,446	25,973	9,663	(32,331)	26,281	9,847
Total Pension Liability - Beginning	703,294	663,848	637,875	628,212	660,543	634,262	624,415
Total Pension Liability - Ending (a)	\$ 691,120	\$ 703,294	\$ 663,848	\$ 637,875	\$ 628,212	\$ 660,543	\$ 634,262
Plan Fiduciary Net Position							
Contributions - employer	\$ 7,480	\$ 6,727	\$ 7,066	\$ 7,760	\$ 7,736	\$ 10,272	\$ 7,552
Contributions - employee	7,617	7,321	6,898	6,129	5,914	6,644	6,594
Net investment income	54,154	99,642	(20,636)	87,480	42,289	941	35,887
Benefit payments, including refunds of employee contributions	(55,103)	(43,907)	(37,132)	(42,777)	(49,903)	(28,779)	(39,559)
Administrative expense	(351)	(564)	(399)	(454)	(478)	(573)	(375)
Other	(14)	(17)	(21)	(23)	(26)	(28)	(31)
Net Change in Plan Fiduciary Net Position	13,783	69,202	(44,224)	58,115	5,532	(11,523)	10,068
Plan Fiduciary Net Position - Beginning	714,581	645,379	689,603	631,488	625,956	637,479	627,411
Plan Fiduciary Net Position - Ending (b)	\$ 728,364	\$ 714,581	\$ 645,379	\$ 689,603	\$ 631,488	\$ 625,956	\$ 637,479
Net Pension Liability - Ending (a) - (b)	\$ (37,244)	\$ (11,287)	\$ 18,469	\$ (51,728)	\$ (3,276)	\$ 34,587	\$ (3,217)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.39%	101.60%	97.22%	108.11%	100.52%	94.76%	100.51%
Covered Payroll	\$ 152,347	\$ 146,429	\$ 137,969	\$ 122,589	\$ 118,282	\$ 132,884	\$ 131,888
Net Pension Liability as a Percentage of Covered Payroll	-24.45%	-7.71%	13.39%	-42.20%	-2.77%	26.03%	-2.44%

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

Fiscal year ended September 30,	
2022	\$ 613
2023	\$ 458
2024	\$ 689
2025	\$ 338
2026	\$ (17)
Thereafter	\$ 0

M. Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Waterworks Sys Rev Bonds	\$ 161,895		\$ 38,000	\$ 123,895	\$ 40,000
General Obligation Bonds	152,859		27,000	125,859	29,000
Customer Deposits	35,186	8,550	6,052	37,684	0
Total OPEB Liability	26,968	1,110		28,078	0
Total	\$ 376,908	\$ 9,660	\$ 71,052	\$ 315,516	\$ 69,000

N. Deferred inflow of resources

Deferred inflow of resources at the fund level at year-end consisted of the following:

	Unavailable Tax Revenue
General Fund	<u>\$ 17,799</u>

O. Risk financing

The City is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; and errors or omissions. The City has purchased commercial insurance with the Texas Municipal League intergovernmental risk pool to insure against these losses. The annual premium assessed by the risk pool is subject to adjustment each year on the anniversary date of the policy based on updated exposure information and changes in rating. Coverages are as follows as of September 30, 2021: general liability coverage - \$500,000 per occurrence, \$1,000,000 annual aggregate; errors and omissions - \$1,000,000 per claim, \$2,000,000 annual aggregate; automobile liability - \$25,000 per occurrence, \$500,000 annual aggregate; auto physical damage - actual cash value; property and equipment hazards - \$2,713,117 blanket limit.

P. Subsequent events

Management has evaluated subsequent events through June 14, 2022; the date which the financial statements were available for distribution. There were none noted.

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 0.25% and 0.42% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 31, 2021 were \$624 and were equal to the required contributions.

Total OPEB Liability

Actuarial assumptions. 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 2014 through 2018, and dated December 31, 2018. 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.

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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

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

<i>Changes in the Net Pension Liability (Asset)</i>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	\$ 703,294	\$ 714,581	\$ (11,287)
Changes for the year:			
Service cost	16,149		16,149
Interest	46,158		46,158
Change in benefit terms			
Difference between expected/actual experience	(19,378)		(19,378)
Changes in assumptions			
Contributions - employer		7,480	(7,480)
Contributions - employee		7,617	(7,617)
Net investment income		54,154	(54,154)
Benefit payments, including refunds of employee contributions	(55,103)	(55,103)	0
Administrative expenses		(351)	351
Other charges		(14)	14
Net changes	(12,174)	13,783	(25,957)
Balance at 12/31/2020	\$ 691,120	\$ 728,364	\$ (37,244)

Sensitivity of the net pension liability to changes in the discount rate. The following shows the net pension liability 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.

G. Bonds and notes payable

The City has outstanding a City of Throckmorton, Texas, Waterworks and General obligation bonds series 1985, at 5% interest due March 1 and September 1, with final payment in 2025.

The City has outstanding a City of Throckmorton, Texas, Waterworks System revenue bonds series 1986, at 5% interest due January 1 and July 1, with final payment in 2024. The revenues from the Water and Sewer enterprise funds are pledged to service these bonds.

A summary of changes in general long-term debt for the year ended September 30, 2021 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/1/2020	Issued	Retired	Amounts Outstanding 9/30/2021
Waterworks System Revenue Bonds, Series 1986	5%	\$600,000	\$ 161,895		\$ 38,000	\$ 123,895
Waterworks & General Obligation Bonds, Series 1985	5%	\$480,000	152,859		27,000	125,859
			<u>\$ 314,754</u>		<u>\$ 65,000</u>	<u>\$ 249,754</u>

H. Short-term notes payable

N/A.

I. Debt service requirements - bonds, notes and capital leases

The annual debt service requirements to maturity for long-term bonds payable as of September 30, 2021 are as follows:

	Waterworks and General Obligation Bonds, Series 1985 & 1986		
	Principal	Interest	Total
2022	\$ 69,000	\$ 10,763	\$ 79,763
2023	74,000	7,187	81,187
2024	73,895	3,491	77,386
2025	32,859	821	33,680
Total Water Fund	<u>\$ 249,754</u>	<u>\$ 22,262</u>	<u>\$ 272,016</u>

J. Accumulated unpaid vacation and sick leave benefits

None.

K. Retirement Plan - Texas Municipal Retirement System

Plan Description

The City participates as one of approximately 900 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.tmrs.com.

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

B. Property taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City 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 1 of the year following the year in which imposed. On January 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. Delinquent taxes receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal 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.

D. Interfund balances and transfers

Interfund balances at September 30, 2021 consisted of the following individual fund balances:

Fund	Due From	Due To	Purpose?	Current?
General Fund	\$ 138,939		Operating activities	Yes
Hotel/Motel Tax Fund		556	Operating activities	Yes
Enterprise Fund		138,383	Operating activities	Yes
Total	\$ 138,939	\$ 138,939		

Interfund transfers for the year ended September 30, 2021 consisted of the following individual amounts:

	Transfers In	Transfers Out	Purpose
Business-type fund	\$ 36,810		Debt service transfer.
General fund		36,810	Debt service transfer.
Total	\$ 36,810	\$ 36,810	

E. Disaggregation of receivables and payables

Receivables at September 30, 2021 were as follows:

	Property Taxes	Other Government	Accounts and Other	Total Receivables
Governmental Activities:				
General Fund	\$ 17,799	\$ 18,711	\$ 4,082	\$ 40,592
Component Unit		6,237		6,237
Total Governmental Activities	\$ 17,799	\$ 24,948	\$ 4,082	\$ 46,829
Business-type Activities:				
Enterprise Fund	\$ 0	\$ 0	\$ 64,585	\$ 64,585
Total Business-type Activities	\$ 0	\$ 0	\$ 64,585	\$ 64,585

6. In accordance with GASB 54 governmental fund balances are characterized into the following categories:

Non-spendable fund balances include amounts that are not in spendable form (i.e. inventory or prepaid items) or amounts that are required to be maintained intact legally or contractually (i.e. principal in an endowment fund)

Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority.

Assigned fund balances are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

City Policies Concerning Fund Balances are as follows:

The City’s Unassigned General Fund Balance will be maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees.

Fund Balance of the City may be committed for a specific source by formal action of the Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action of the Board of Trustees.

When it is appropriate for fund balance to be assigned, only the Board of Trustees has the authority to assign fund balance by formal action by the board.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

At September 30, 2021, the City did not have any assigned fund balances.

7. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

II. Stewardship, compliance, and accountability

A. Budgetary data

The City Secretary submits an annual budget to the City Council in accordance with the City Charter. In August, the City Council adopts annual fiscal year budgets for specified City funds. Budgets for the general fund are adopted on a basis consistent with U.S. generally accepted accounting principles. The budget is properly amended throughout the year.

B. Excess of expenditures over appropriations by more than \$2,500.

Department	Amt Over Budget	Variance Description
Public recreation and culture	\$ 5,370	Swimming pool expenditures more than budgeted.

C. Deficit fund equity

None.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

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

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

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. Fund accounting

The City reports the following major governmental funds:

1. **The General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

The City reports the following major proprietary funds:

3. **Water, Sewer and Garbage Enterprise Fund** - The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund.

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CITY OF THROCKMORTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water, Sewer & Garbage Fund
OPERATING REVENUES	
Water sales	\$ 354,579
Sewer sales	92,032
Sanitation sales and service	133,354
Other operating revenues	35,575
Total operating revenues	<u>615,540</u>
OPERATING EXPENSES	
Personnel services - salaries and benefits	158,906
Maintenance, operations and contracted services	404,165
Depreciation expense	105,476
Total operating expenses	<u>668,547</u>
Operating income (loss)	<u>(53,007)</u>
NONOPERATING REVENUES (EXPENSES)	
Interfund transfers	36,810
Grants and contributions	15,125
Interest on revenue bonds and leases	(13,525)
Total nonoperating revenues (expenses)	<u>38,410</u>
Change in net position	(14,597)
Total net position - beginning of year	<u>610,385</u>
Total net position - end of year	<u>\$ 595,788</u>

The accompanying notes are an integral part of this statement.

CITY OF THROCKMORTON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Total Net Change in Fund Balances - Governmental Funds (primary government)	\$	130,412
1 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase (decrease) net position.		23,640
2 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(125,442)
3 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 12/31/2020 caused the change in the ending net position to increase in the amount of \$2,665. 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 (\$1,871) The City's reported TMRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by \$1,943. The result of these changes is to increase/(decrease) the change in net position.		2,160
<p>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 12/31/2020 caused the change in the ending net position to increase in the amount of \$181. 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 (\$84) The City's reported TMRS total OPEB expense had to be recorded. The total OPEB expense increased/(decreased) the change in net position by (\$674). The result of these changes is to increase/(decrease) the change in net position.</p>		
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(3,588)
Change in Net Position of Governmental Activities	\$	<u>27,182</u>

The accompanying notes are an integral part of this statement.

CITY OF THROCKMORTON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total Fund Balances - Governmental Funds (primary government)	\$	502,443
1 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 \$3,819,335 and the accumulated depreciation was \$2,606,096. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		1,213,239
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase (decrease) net position.		23,640
3 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(125,442)
4 Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of \$12,506, a deferred resource inflow in the amount of (\$11,634) and a deferred resource outflow in the amount of \$6,823. This resulted in an increase/(decrease) in net position.		(853)
<p>Included in the noncurrent assets/(liabilities) is the recognition of the City's total OPEB asset/(liability) required by GASB 75 in the amount of \$(9,429), a deferred resource inflow in the amount of (\$1,250) and a deferred resource outflow in the amount of \$2,131. This resulted in an increase/(decrease) in net position.</p>		
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		17,799
Net Position of Governmental Activities (primary government)	<u>\$</u>	<u>1,630,826</u>

The accompanying notes are an integral part of this statement.

CITY OF THROCKMORTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position							Totals
		Program Revenues		Governmental Activities	Business-type Activities	Totals		Component Unit	
		Charges for Services	Operating Grants & Contributions			(Memo Only) Primary Govt			
Governmental activities:									
General government	\$ 292,676	\$ 15,706	\$ -	\$ (276,970)	\$ -	\$ (276,970)	\$ (25,139)	\$ (302,109)	
Public recreation and culture	48,915	45,548	-	(3,367)	-	(3,367)	-	(3,367)	
Public safety	38,399	-	-	(38,399)	-	(38,399)	-	(38,399)	
Streets	73,989	-	30,511	(43,478)	-	(43,478)	(26,389)	(69,867)	
Total governmental activities	453,979	61,254	30,511	(362,214)	-	(362,214)	(51,528)	(413,742)	
Business-type activities:									
Water	371,713	359,423	15,125	-	2,835	2,835	-	2,835	
Sewer	111,783	95,473	-	-	(16,310)	(16,310)	-	(16,310)	
Garbage	185,051	160,644	-	-	(24,407)	(24,407)	-	(24,407)	
Interest on debt	13,525	-	-	-	(13,525)	(13,525)	-	(13,525)	
Total business-type activities	682,072	615,540	15,125	-	(51,407)	(51,407)	-	(51,407)	
Total	\$ 1,136,051	\$ 676,794	\$ 45,636	(362,214)	(51,407)	(413,621)	(51,528)	(465,149)	
General revenues:									
Property tax				229,057	-	229,057	-	229,057	
Sales and mixed drink tax				174,167	-	174,167	56,658	230,825	
Franchise fees				22,827	-	22,827	-	22,827	
Interfund transfers				(36,810)	36,810	-	-	-	
Investment income				155	-	155	33	188	
Total general revenues				389,396	36,810	426,206	56,691	482,897	
Changes in net position				27,182	(14,597)	12,585	5,163	17,748	
Beginning net position				1,603,644	610,385	2,214,029	66,424	2,280,453	
Ending net position				\$ 1,630,826	\$ 595,788	\$ 2,226,614	\$ 71,587	\$ 2,298,201	

The accompanying notes are an integral part of this statement.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2021, the City had \$8,351,317 invested in a broad range of capital assets including infrastructure, water treatment and wastewater disposal facilities and equipment and maintenance of City streets and alleys. This amount represents an increase of \$146,245 from last fiscal year. This year's major additions included:

Street department cutter and pallet forks	\$ 10,600
2019 Chevrolet Silverado pickup	26,079
Water infrastructure improvements - in progress	15,125
Total	\$ 51,804

Debt

At year-end, the City had two outstanding long-term liabilities in the forms of revenue and general obligation bonds issued in 1985 and 1986 that were obtained in order to finance infrastructure improvements. The City retired \$65,000 in principal (and \$14,113 in interest) from a combined balance of \$314,754 to a combined ending balance of \$249,754. Annual payments due until 2025 will approximate \$78,000 until fully retired on the bonds.

	2021	2020
Bonds payable	\$ 249,754	\$ 314,754

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City should maintain its financial health during the 2021-22 fiscal year. General fund revenues and expenditures are budgeted at \$418,339 for a break-even budget. Enterprise fund revenues and expenses are budgeted at \$1,043,400 for a break-even budget. The City's taxable valuations for the 2021 tax year increased approximately 5% from the 2020 tax year. The tax rate adopted by the city commission was set at \$.83797. Therefore, the fund balance of the City is projected to approximate \$500,000 for the general fund and net position should approximate \$600,000 for the enterprise fund.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's business office at: City of Throckmorton, Texas, 116 N. Minter Ave., Throckmorton, Texas 76483.

Table II
City of Throckmorton, Texas
Changes in Net Position

	Governmental Activities 2021	Governmental Activities 2020	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 61,254	\$ 31,626	\$ 29,628
Operating grants and contributions	30,511	99,552	\$ (69,041)
General Revenues:			
Maintenance and operations taxes	229,057	219,624	9,433
Sales, mixed drink and hotel/motel taxes	174,167	116,130	58,037
Franchise fees	22,827	22,700	127
Investment earnings	155	1,564	(1,409)
Total Revenues	517,971	491,196	26,775
Expenses:			
General government	292,676	322,675	29,999
Public recreation and culture	48,915	44,912	(4,003)
Public safety	38,399	45,188	6,789
Streets	73,989	86,012	12,023
Interfund transfers	36,810	36,483	(327)
Total Expenses	490,789	535,270	44,481
Increase in Net Position	27,182	(44,074)	71,256
Net Position - beginning of year	1,603,644	1,647,718	(44,074)
Prior Period Adjustment	0	0	0
Net Position - end of year	\$ 1,630,826	\$ 1,603,644	\$ 27,182

In the Statement of Net Position and the Statement of Activities, we divide the City into two activities:

Governmental activities - Most of the City's basic services are reported here, including public safety, maintenance of city streets and alleys, community services, and general administration. Property taxes, franchise and other fees, and state and federal grants finance most of these services.

Business-type activities - The City charges a fee to "customers" to help it cover all or most of the cost of services it provides in the utility waterworks, sewer, and solid waste funds.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the City as a whole. Laws and contracts require the City to establish some funds, such as a debt service fund used to provide sources of revenues to service the City's general obligation bonds. The City's administration establishes many other funds to help it control and manage money for particular purposes. The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds - Most of the City's basic services are reported in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds - the City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total net position of the City's governmental activities increased from \$1,603,644 to \$1,630,826. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased from \$390,405 to \$519,389. Current assets increased by \$128,249 due to cash. Capital and other assets decreased by \$93,086 due to depreciation expense in excess of asset additions. Changes in long-term liabilities and deferred outflows/inflows of resources were due to TMRS net pension and other post-employment benefit liabilities.

Net position of the business-type activities decreased by \$14,597. Current assets consisting of primarily accounts receivable changed increased \$13,921. Capital and other assets decreased by \$60,070 due to current year depreciation expense in excess of asset additions. Long-term liabilities decreased by \$61,765 due to liquidation of outstanding debt principal and changes in customer deposit liabilities. Other liabilities increased by \$17,979 due to changes in interfund liabilities and unearned grant proceeds received but not expended. Changes in deferred outflows/inflows of resources were due to TMRS net pension and other post-employment benefit liabilities.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule for the General Fund, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Pension Contributions and Schedule of Changes in Total OPEB Liability and Related Ratios as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedure 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The operating segment information for the water, sewer and garbage fund as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The operating segment information for the water, sewer and garbage fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the operating segment information for the water, sewer and garbage fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 14, 2022, on my consideration of the City's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Cameron L. Gulley
Certified Public Accountant

June 14, 2022

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