

ANNUAL FINANCIAL REPORT
CITY OF GRAND SALINE, TEXAS
FISCAL YEAR ENDED
SEPTEMBER 30, 2021



**CITY OF GRAND SALINE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTORY SECTION	
Elected Officials and Administrative Officers.....	2
II. FINANCIAL SECTION	
Independent Auditor's Report.....	4
A. Management Discussion and Analysis.....	6
B. Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	17
Statement of Activities.....	18
Fund Financial Statements:	
Governmental Fund Financial Statements	
Balance Sheet.....	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Proprietary Fund Financial Statements	
Statement of Fund Net Position.....	24
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	25
Statement of Cash Flows.....	26
Notes to the Financial Statements	27
C. Required Supplementary Information	
Schedule of TMRS Funding Progress and Contributions and Notes.....	50
Schedule of Changes in Net Pension Liability and Related Ratios.....	51
TMRS-Schedule of Changes in OPEB Liability and Related Ratios.....	52
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budget (Modified Accrual Basis) and Actual.....	53

**CITY OF GRAND SALINE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

TABLE OF CONTENTS

Page

D. Supplementary Information

Combining Statements - Non-major Governmental Funds

Balance Sheet.....	56
Statement of Revenues, Expenditures and Changes in Fund Balance.....	57

INTRODUCTORY SECTION

**CITY OF GRAND SALINE, TEXAS
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS
SEPTEMBER 30, 2021**

City Council

Jeremy Gunnels, Mayor
Mary Jane Hollowell, Mayor Pro-Tem
Jason Ivy, Council Member
Jennifer Henderson, Council Member
July Cato, Council Member
Ridge Tardy, Council Member

Administrative Staff

Dana Clair, City Secretary
Tully Davidson, City Administrator

FINANCIAL SECTION

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward, CPA
266 RCR 1397
Point, Texas 75472

(903) 269-6211
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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Grand Saline, Texas
132 East Frank Street
Grand Saline, Texas 75140

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grand Saline, Texas ("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. 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 an 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 assessing 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 opinion.

Opinion

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grand Saline, 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 conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Required Supplementary Information, 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 procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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 conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide and assurance on it.



Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas
August 17, 2022

CITY OF GRAND SALINE, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2021

As management of the City of Grand Saline ("City"), we offer readers of the City of Grand Saline's financial statements this narrative overview and analysis of the financial activities of the City of Grand Saline for the fiscal year ended September 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Grand Saline exceeded its liabilities at the close of the fiscal year by \$6,971,070 (net position). Of this amount, the portion that may be used to meet the City's on-going obligations to citizens and creditors is \$2,468,815, or 35% of total net position. \$4,340,986, or 63%, represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets. \$142,791, or 2%, is restricted for debt obligations, \$18,478, or 1%, is restricted for municipal court use, and hotel funds.
- The City's total net position increased by \$83,341, due to decreases in expenditures in the business-type activities, and also increases resulting from grant related activities.
- As of the close of the current fiscal year, the City of Grand Saline's governmental funds reported combined ending fund balances of \$1,774,174, an increase of \$1,261,181, or 232%, in comparison with the prior year. Approximately 94% of this total amount, or \$1,660,295, is available for spending at the city's discretion (unassigned fund balance).
- At the close of the current fiscal year, unassigned fund balance of \$1,660,295 was 77% percent of total General Fund expenditures for the fiscal year.
- The City of Grand Saline's total long-term debt decreased by (\$326,796), or (14%), during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Grand Saline's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Grand Saline.

**CITY OF GRAND SALINE, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021**

Basic Financial Statements

The first two statements (pages 17-19) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 20-26) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary funds statements.

The next section of the basic financial statements are the **notes** (pages 27-47). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (pages 48-51) is provided to show details about the City's pension plan and the budget to actual comparison.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

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

The statement of activities presents information showing how the city's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property tax, sales tax, and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the utility services offered by the City of Grand Saline. The final category is the component unit. The City has one component unit: Grand Saline Economic Development Corporation ("EDC").

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City of Grand Saline, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All the funds of the City of Grand Saline can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what funds are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The

**CITY OF GRAND SALINE, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021**

relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds – The City of Grand Saline has two types of proprietary funds which are the Water & Sewer Fund and the Solid Waste Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary Funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27-47 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Grand Saline's progress in funding its obligation to provide pension benefits to its employees. This information is found on page 50-53.

The City of Grand Saline adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. Budgetary information required by the General Statutes can also be found in the Required Supplementary Information section of the report on page 51.

Supplementary Information – The combining statements referred to earlier in connection with the non-major governmental funds are presented following the required supplementary information on pensions. Combining statements and individual fund statements can be found on pages 56-57. Fund financial statements for the component unit can be found on pages 58-61.

**CITY OF GRAND SALINE, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021**

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 2,206,353	\$ 816,200	\$ 1,140,484	\$ 2,530,834	\$ 3,346,837	\$ 3,347,034
Capital assets	2,813,949	2,906,553	3,508,206	3,475,283	6,322,155	6,381,836
Total assets	5,020,302	3,722,753	4,648,690	6,006,117	9,668,992	9,728,870
Deferred outflows - pension	152,971	170,102	103,769	115,462	256,739	285,564
Long-term liabilities outstanding	293,070	365,776	1,847,936	2,088,397	2,141,006	2,454,173
Other liabilities	380,234	246,627	217,039	99,446	597,272	346,073
Total liabilities	673,304	612,403	2,064,975	2,187,843	2,738,278	2,800,246
Deferred inflows - pension	128,878	194,406	87,504	132,045	216,382	326,451
Net position:						
Net investment in capital assets	2,612,170	2,906,553	1,728,817	1,449,982	4,340,986	4,356,535
Restricted	18,478	16,495	142,791	200,369	161,269	216,864
Unrestricted	1,740,444	162,998	728,371	2,151,340	2,468,815	2,314,338
Total net position	\$ 4,371,092	\$ 3,086,046	\$ 2,599,979	\$ 3,801,691	\$ 6,971,070	\$ 6,887,737

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of the City was \$6,971,070, as of September 30, 2021. The City's net position increased by \$83,341, excluding prior period adjustments, for the fiscal year ended September 30, 2021.

Net investment in capital assets:

The largest portion of net position, \$4,340,986, or 62%, reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

Restricted net position of \$161,269 represents 2% of total net position that is subject to external restrictions on how they may be used, or by enabling legislation. The restricted net position is comprised of \$18,478, or 11%, for state imposed restrictions and \$142,791, or 89%, for debt service.

Unrestricted net position:

Unrestricted net position in the amount of \$2,468,815, or 35%, is available to fund the City programs to citizens and creditors.

**CITY OF GRAND SALINE, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021**

Changes in Net Position

	Governmental Activities		Business Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUE:						
Program revenues:						
Charge for services	\$ 327,643	\$ 365,875	\$ 1,541,480	\$ 1,562,364	\$ 1,869,123	\$ 1,928,239
Grants and contributions	440,116	124,663	32,330	112,310	472,446	236,973
General revenues:						
Property taxes including P&I	552,082	561,487	356,428	292,949	908,510	854,436
Franchise taxes	69,596	113,907	-	-	69,596	113,907
Hotel/motel taxes	2,116	1,891	-	-	2,116	1,891
Sales tax collected	563,327	484,776	-	-	563,327	484,776
Investment income	3,920	2,749	951	13,749	4,871	16,498
Miscellaneous revenue	199,744	113,627	30,805	26,848	230,549	140,475
Total Revenues	2,158,544	1,768,975	1,961,994	2,008,220	4,120,537	3,777,195
EXPENSES:						
Program expenses:						
General government	555,462	349,205	-	-	555,462	349,205
Public safety	1,018,436	867,066	-	-	1,018,436	867,066
Public works	508,024	347,006	-	-	508,024	347,006
Public services & operations	239,607	235,538	-	-	239,607	235,538
Parks and recreation	167,860	55,149	-	-	167,860	55,149
Interest and fiscal agent fees	9,865	3,417	-	-	9,865	3,417
Water and sewer	-	-	1,537,944	1,765,300	1,537,944	1,765,300
Total Expenses	2,499,253	1,857,381	1,537,944	1,765,300	4,037,197	3,622,681
Increase (decrease) in net position before transfers	(340,709)	(88,406)	424,050	242,920	83,341	154,514
Transfers	1,625,762	197,277	(1,625,762)	(197,277)	-	-
Increase in net position	1,285,053	108,871	(1,201,712)	45,643	83,341	154,514
Net position, October 1	3,086,039	2,977,175	3,801,691	3,756,048	6,887,730	6,733,223
Net position, September 30	\$4,371,092	\$3,086,046	\$2,599,979	\$3,801,691	\$ 6,971,070	\$ 6,887,737

**CITY OF GRAND SALINE, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021**

Financial Analysis of the City's Funds

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

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

At September 30, 2021, The City's governmental funds reported total fund balance of \$1,774,174 which is a 246% increase in comparison with the prior year's total ending fund balance. The components of total fund balance are as follows:

- Nonspendable fund balance of \$900, or 0.1%, of total fund balance consists of prepaid expenditures that are not spendable in form.
- Restricted fund balance of \$18,478, or 1%, of total fund balance consists of amounts restricted by external laws or contractual obligations. These are as follows:
 - \$7,111, or 38%, is for court use; and
 - \$11,367, or 62%, is for tourism.
- Assigned fund balance of \$94,501, or 5.33%, of total fund balance consists of the following:
 - \$76,902, or 81.38%, is for public safety;
 - \$17,559, or 18.58%, is for Main Street; and
 - \$40, or 0.04%, is for capital projects
- Unassigned fund balance of \$1,660,295, or 93.6%, of total fund balance represents residual available fund balance that has not been restricted, committed, or assigned by management, City Council, or outside third parties or entities.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,660,295. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 77% of total General Fund expenditures.

General Fund Budgetary Highlights: During the fiscal year, the City did not revise the budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts mainly in the areas of property taxes and sales taxes. Expenditures were more than budgeted in General Government and Public Safety.

Proprietary Funds - The proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$728,371, and \$1,728,817 was invested in capital assets, less related debt, and \$142,791 was related to debt service.

CITY OF GRAND SALINE, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021

Capital Assets - The City of Grand Saline's investment in capital assets for its governmental and business-type activities, as of September 30, 2021, totals \$6,322,155, (net of accumulated depreciation). This investment in capital assets include buildings, roads and bridges, land, and machinery and equipment.

Major capital asset events during the current fiscal year included the following

- Library roof replacement
- Street improvements
- Police and emergency equipment and vehicles
- Utility department equipment

Capital Assets
As of September 30, 2021
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 35,471	\$ 35,471	\$ 14,179	\$ 14,179	\$ 49,650	\$ 49,650
Buildings	95,394	92,278	3,787	4,999	99,182	97,277
Infrastructure	1,831,759	1,905,750	2,909,281	3,089,121	4,741,040	4,994,871
Machinery & Equipment	851,325	873,054	580,958	366,984	1,432,283	1,240,038
Total	\$ 2,813,949	\$ 2,906,553	\$ 3,508,206	\$ 3,475,283	\$ 6,322,155	\$ 6,381,836

More detailed information about the City's capital assets is presented in Note E to the financial statements

Long-term Obligations - As of September 30, 2021, the City had total long-term obligations of \$2,027,022.

Long-Term Obligations
As of September 30, 2021

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Refunding & Revenue Bonds (backed by tax revenues and net water/sewer revenues)	\$ -	\$ -	\$ 1,641,389	\$ 1,820,301	\$ 1,641,389	\$ 1,820,301
Notes Payable	-	-	138,000	205,000	138,000	205,000
Capital Leases	201,780	282,664	-	-	201,780	282,664
Compensated Absences	22,900	22,899	22,953	22,954	45,853	45,853
Total	\$ 224,680	\$ 305,563	\$ 1,802,342	\$ 2,048,255	\$ 2,027,022	\$ 2,353,818

The City of Grand Saline's long-term debt decreased by (\$326,796), or (14%), during the current fiscal year. More detailed information about the City's long-term obligations is presented in Note F to these financial statements

**CITY OF GRAND SALINE, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021**

Economic Factors and Next Year's Budgets and Rates

The FY 21-22 budget incorporates a property tax rate at \$.89 per \$100 valuation.

Requests for Information

This report is designed to provide a general overview of the City's finances for those with an interest in the city's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Grand Saline, Finance Department, 132 E. Frank, Grand Saline, Texas 75140.



BASIC FINANCIAL STATEMENTS



**CITY OF GRAND SALINE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
ASSETS				
Cash and cash equivalents	\$ 1,573,712	\$ 335,463	\$ 1,909,176	\$ 366,646
Receivables (net of allowance for uncollectible)	311,126	540,983	852,109	30,295
Restricted assets:				
Cash and cash equivalents	317,482	261,908	579,391	-
Prepaid expenses	900	-	900	-
Net pension asset	3,132	2,129	5,261	-
Non-depreciable capital assets				
Land	35,471	14,179	49,650	50,050
Depreciable capital assets (net):				
Buildings	95,394	3,787	99,182	270,447
Infrastructure	1,831,759	2,909,281	4,741,040	-
Machinery & equipment	851,325	580,958	1,432,283	-
Total Assets	5,020,302	4,648,690	9,668,992	717,439
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflows from pension	138,370	94,035	232,406	-
Deferred outflows from OPEB	14,600	9,734	24,334	-
Total Deferred Outflow of Resources	152,971	103,769	256,739	-
LIABILITIES				
Accounts payable	86,590	125,605	212,196	15
Customer deposits	-	88,199	88,199	-
Deferred grant revenue	293,644	-	293,644	-
Accrued interest payable	-	3,234	3,234	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences	22,900	22,953	45,853	-
Notes payable	-	68,000	68,000	-
Capital leases	83,706	-	83,706	-
Bonds payable	-	181,000	181,000	-
Due in more than one year:				
OPEB liability	68,390	45,594	113,984	-
Notes payable	-	70,000	70,000	-
Capital leases	118,074	-	118,074	-
Bonds payable	-	1,460,389	1,460,389	-
Total Liabilities	673,304	2,064,976	2,738,278	15
DEFERRED INFLOW OF RESOURCES				
Deferred inflows from pension	122,693	83,380	206,073	-
Deferred inflows from OPEB	6,185	4,124	10,309	-
Total Deferred Inflow of Resources	128,878	87,504	216,382	-
NET POSITION				
Net investment in capital assets	2,612,170	1,728,817	4,340,986	320,497
Restricted for:				
Municipal	7,111	-	7,111	-
Hotel	11,367	-	11,367	-
Debt service	-	142,791	142,791	-
Unrestricted	1,740,444	728,371	2,468,815	396,927
Total Net Position	\$ 4,371,092	\$ 2,599,979	\$ 6,971,070	\$ 717,424

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 555,462	\$ 192,337	\$ 370,543	\$ -
Public safety	1,018,436	94,338	-	-
Public services and operations	239,607	-	18,000	-
Parks and recreation	167,860	40,968	51,573	-
Public works	508,024	-	-	-
Interest on long-term debt	9,865	-	-	-
Total Governmental Activities	<u>2,499,253</u>	<u>327,643</u>	<u>440,116</u>	<u>-</u>
Business-type activities:				
Water and sewer	1,149,425	1,159,946	-	32,330
Solid waste	388,519	381,534	-	-
Total Business-Type Activities	<u>1,537,944</u>	<u>1,541,480</u>	<u>-</u>	<u>32,330</u>
Total Primary Government	<u>4,037,197</u>	<u>1,869,123</u>	<u>440,116</u>	<u>32,330</u>
Component unit				
Economic Development Corporation	307,888	39,525	-	-
Total Component Unit	<u>\$ 307,888</u>	<u>\$ 39,525</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
Sales taxes
Franchise taxes
Investment income
Hotel/Motel tax
Miscellaneous revenue
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**Net (Expense) Revenue
and Changes in Net Position**

Primary Government			Component Unit
Governmental Activities	Business Activities	Total	
\$ 7,418	\$ -	\$ 7,418	\$ -
(924,097)	-	(924,097)	-
(221,607)	-	(221,607)	-
(75,319)	-	(75,319)	-
(508,024)	-	(508,024)	-
(9,865)	-	(9,865)	-
<u>(1,731,494)</u>	<u>-</u>	<u>(1,731,494)</u>	<u>-</u>
-	42,851	42,851	-
-	(6,985)	(6,985)	-
-	35,866	35,866	-
<u>(1,731,494)</u>	<u>35,866</u>	<u>(1,695,628)</u>	<u>-</u>
-	-	-	(268,363)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (268,363)</u>
\$ 552,082	\$ 356,428	\$ 908,510	\$ -
563,327	-	563,327	184,254
69,596	-	69,596	-
3,920	951	4,871	1,340
2,116	-	2,116	-
199,744	30,805	230,549	29,829
1,625,762	(1,625,762)	-	-
<u>3,016,547</u>	<u>(1,237,578)</u>	<u>1,778,969</u>	<u>215,423</u>
1,285,053	(1,201,712)	83,341	(52,940)
3,086,039	3,801,691	6,887,730	770,364
<u>\$ 4,371,092</u>	<u>\$ 2,599,979</u>	<u>\$ 6,971,070</u>	<u>\$ 717,424</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	General Fund	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,481,354	\$ 92,358	\$ 1,573,712
Receivables (net of allowance for uncollectible)	292,200	-	292,200
Cash and cash equivalents-restricted	-	317,482	317,482
Prepaid items	900	-	900
Total Assets	<u>1,774,455</u>	<u>409,840</u>	<u>2,184,295</u>
LIABILITIES			
Accounts payable	64,447	277,935	342,382
Total Liabilities	<u>64,447</u>	<u>296,861</u>	<u>361,308</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues-property taxes	48,813	-	48,813
Total Deferred Inflows of Resources	<u>48,813</u>	<u>-</u>	<u>48,813</u>
FUND BALANCES			
Nonspendable - prepaid items	900	-	900
Restricted for:			
Municipal court	-	7,111	7,111
Hotel	-	11,367	11,367
Assigned:			
Police	-	1,409	1,409
Main street	-	17,559	17,559
Capital improvements	-	40	40
Fire	-	59,304	59,304
EMS	-	16,189	16,189
Unassigned	1,660,295	-	1,660,295
Total Fund Balances	<u>1,661,195</u>	<u>112,979</u>	<u>1,774,174</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,774,455</u>	<u>\$ 409,840</u>	<u>\$ 2,184,295</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

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

Total fund balances - governmental funds balance sheet	\$ 1,774,174
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,639,318
Accumulated depreciation is not included in the governmental fund financial statements.	(1,825,362)
Deferred inflow/outflow of resources for pension are not reported in the fund financial statements.	24,093
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(201,787)
Net pension and OPEB liability included in total liabilities is not available to pay current expenditures and, therefore, is not reported in the fund financial statements.	(65,258)
Accrued liabilities for compensated absences are not reflected in the fund financial statements	(22,900)
Revenues earned but not available at year-end are not recognized as revenue in the fund financial statements.	48,813
Net position of governmental activities - statement of net position	<u><u>\$ 4,371,092</u></u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUE			
Property taxes, including P&I	\$ 543,978	\$ -	\$ 543,978
Hotel/Motel taxes	-	2,116	2,116
Franchise fees	69,596	-	69,596
Fines and forfeitures	74,825	2,906	77,730
Sales tax collected	563,327	-	563,327
Licenses and permits	27,361	-	27,361
Charge for services	85,331	32,730	118,060
Donations	4,428	-	4,428
Miscellaneous	160,363	39,381	199,744
Total Revenues	<u>1,529,208</u>	<u>77,133</u>	<u>1,606,340</u>
EXPENDITURES			
Current operating:			
General government	442,610	101,946	544,556
Public safety	742,861	188,914	931,775
Public works	149,103	-	149,103
Public services and operations	176,903	-	176,903
Parks and recreation	91,858	47,621	139,479
Library	76,328	-	76,328
Main street	73,895	27,516	101,412
Debt service:			
Principal paid	80,884	-	80,884
Interest and fiscal agent fees	9,865	-	9,865
Capital outlay:			
General government	114,089	-	114,089
Public safety	119,070	-	119,070
Public works	53,400	-	53,400
Parks and recreation	18,158	-	18,158
Total Expenditures	<u>2,149,023</u>	<u>365,998</u>	<u>2,515,020</u>
Excess (deficiency) of revenues over (under) expenditures	(619,815)	(288,865)	(908,680)
Other Revenues and Financing Sources (uses)			
Investment income	3,497	423	3,920
Intergovernmental	269,138	271,042	540,179
Transfers	1,624,062	1,700	1,625,762
Total Other Financing Sources (uses)	<u>1,896,696</u>	<u>273,165</u>	<u>2,169,861</u>
Net Change in Fund Balances	1,276,882	(15,701)	1,261,181
Fund Balances/Equity, October 1	384,313	128,680	512,993
Fund Balances/Equity, September 30	<u>\$ 1,661,195</u>	<u>\$ 112,979</u>	<u>\$ 1,774,174</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

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

Net change in fund balances - total governmental funds	\$ 1,261,181
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are recognized as revenue then allocated over their estimated useful lives and reported as depreciation expense.	304,718
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(397,323)
Current year note proceeds are other finance sources in the fund financial statements but are shown as an increase in the government-wide liabilities section of the financial statements.	-
Current year changes in deferred income are recognized within government-wide financial statements, but the changes are not reported within the fund financial statements.	8,104
Current year long-term debt principal payments on contractual obligations and bonds payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	80,884
Current year changes in the long term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	-
Changes in net pension liability are not shown in the fund financial statements.	27,489
Loss on transfer of asset in the government-wide financial statement is not reported in the governmental fund statements.	-
Change in net position of governmental activities - statement of activities	<u><u>\$ 1,285,053</u></u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021**

	Water & Sewer	Solid Waste	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 296,224	\$ 39,239	\$ 335,463
Receivables (net of allowance for uncollectibles)	533,434	7,550	540,983
Prepaid assets	-	-	-
Total current assets	<u>829,658</u>	<u>46,789</u>	<u>876,447</u>
Noncurrent assets:			
Cash and cash equivalents-restricted	\$ 261,908	\$ -	\$ 261,908
Capital assets:			
Land & improvements	14,179	-	14,179
Buildings	19,559	-	19,559
Infrastructure	7,628,010	-	7,628,010
Machinery & equipment	1,001,933	-	1,001,933
Construction in progress	-	-	-
Accumulated depreciation	<u>(5,155,477)</u>	<u>-</u>	<u>(5,155,477)</u>
Total capital assets (net of accumulated depreciation)	3,508,204	-	3,508,204
Net pension asset	2,129	-	2,129
Total noncurrent assets	<u>3,772,241</u>	<u>-</u>	<u>3,772,241</u>
Total Assets	<u>4,601,900</u>	<u>46,789</u>	<u>4,648,688</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows from pension	94,035	-	94,035
Deferred outflows from OPEB	9,734	-	9,734
Total Deferred Outflow of Resources	<u>103,769</u>	<u>-</u>	<u>103,769</u>
LIABILITIES			
Current liabilities:			
Accounts payable	125,605	-	125,605
Payable from restricted assets:			
Customer deposits	88,199	-	88,199
Accrued interest payable	3,234	-	3,234
Notes payable - current	68,000	-	68,000
Bonds payable - current	181,000	-	181,000
Total current liabilities	<u>466,039</u>	<u>-</u>	<u>466,039</u>
Noncurrent liabilities:			
Compensated absences	22,953	-	22,953
Net OPEB liability	45,594	-	45,594
Notes payable	70,000	-	70,000
Bonds payable	1,460,389	-	1,460,389
Total noncurrent liabilities	<u>1,598,936</u>	<u>-</u>	<u>1,598,936</u>
Total Liabilities	<u>2,064,975</u>	<u>-</u>	<u>2,064,975</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflows from pension	83,380	-	83,380
Deferred inflows from OPEB	4,124	-	4,124
Total Deferred Inflow of Resources	<u>87,504</u>	<u>-</u>	<u>87,504</u>
NET POSITION			
Net investment in capital assets	1,728,817	-	1,728,817
Restricted for:			
Debt service	142,791	-	142,791
Unrestricted	681,582	46,789	728,371
Total Net Position	<u>\$ 2,553,190</u>	<u>\$ 46,789</u>	<u>\$ 2,599,979</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Water & Sewer	Solid Waste	Totals
OPERATING REVENUES:			
Property taxes, including P&I	\$ 356,428	\$ -	\$ 356,428
Charges for sales and services:			
Service charges	1,159,946	381,534	1,541,480
Grant Revenue	32,330	-	32,330
Miscellaneous	30,805	-	30,805
Total Operating Revenues	<u>1,579,509</u>	<u>381,534</u>	<u>1,961,043</u>
OPERATING EXPENSES			
Personnel services	568,194	-	568,194
Supplies and materials	39,354	-	39,354
Maintenance and repair	119,943	-	119,943
Contractual services	128,467	388,519	516,987
Depreciation	227,407	-	227,407
Total Operating Expenses	<u>1,083,365</u>	<u>388,519</u>	<u>1,471,884</u>
Operating Income (Loss)	<u>496,144</u>	<u>(6,985)</u>	<u>489,158</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	841	110	951
Interest expense	(66,060)	-	(66,060)
Total Non-Operating Revenues (Expenses)	<u>(65,218)</u>	<u>110</u>	<u>(65,109)</u>
Transfers	<u>(1,384,178)</u>	<u>(241,584)</u>	<u>(1,625,762)</u>
Change in Net Position	<u>(953,252)</u>	<u>(248,460)</u>	<u>(1,201,712)</u>
Net Position - beginning	3,506,453	295,238	3,801,691
Net Position - ending	<u>\$ 2,553,201</u>	<u>\$ 46,778</u>	<u>\$ 2,599,979</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,288,031	\$ 381,014	\$ 1,669,045
Cash received from other sources	419,563	-	419,563
Cash paid to employees and suppliers	(766,189)	(388,519)	(1,154,708)
Net Cash Provided by Operating Activities	<u>941,405</u>	<u>(7,505)</u>	<u>933,900</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Interest expense	(66,060)	-	(66,060)
Principal payments	(245,912)	-	(245,912)
Premiums on debt	-	-	-
Transfers from primary government	(1,384,178)	(241,584)	(1,625,762)
Net Cash Provided by Non-Capital Financing Activities	<u>(1,696,149)</u>	<u>(241,584)</u>	<u>(1,937,733)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition or construction of capital assets	(260,316)	-	(260,316)
Net Cash Used for Capital & Related Financing Activities	<u>(260,316)</u>	<u>-</u>	<u>(260,316)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	830	111	941
Net Cash Provided by Investing Activities	<u>830</u>	<u>111</u>	<u>941</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,014,230)	(248,979)	(1,263,209)
Cash and Cash Equivalents at Beginning of Year	1,572,363	288,218	1,860,581
Cash and Cash Equivalents at End of Year	<u>\$ 558,133</u>	<u>\$ 39,239</u>	<u>\$ 597,372</u>
Reconciliation of Operating Income to Net Cash Provided by Operation Activities:			
Operating income (loss)	\$ 496,144	\$ (6,985)	\$ 489,158
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation	227,407	-	227,407
Change in assets and liabilities			
Decrease (increase) in receivables	119,007	(520)	118,488
Increase (decrease) in accounts payable	108,513	-	108,513
Increase (Decrease) in customer deposits	9,077	-	9,077
Increase (decrease) in pension liability	(18,744)	-	(18,744)
Total Adjustments	<u>445,261</u>	<u>(520)</u>	<u>444,741</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 941,405</u>	<u>\$ (7,505)</u>	<u>\$ 933,900</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF GRAND SALINE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Note 1. Summary of Significant Accounting Policies

General Statement

The City of Grand Saline, Texas ("City") was incorporated in July, 1900. The City operates under a Mayor-Council form of government. The City provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of its inhabitants.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP"), applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide*. The more significant policies of the City are described below:

Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the City include the primary government and organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and can either impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government can impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial reports to, the organization; (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government. The following entity was found to be a component unit of the City and is included in the basic financial statements:

Grand Saline Economic Development Board (EDC) - The EDC is responsible for aiding, promoting and furthering the economic development within the City. The funding of the EDC occurs by the City transferring 1/4 of sales tax revenues collected by the City to the EDC.

The members of the EDC's Board of Directors are appointed by the City Council. The EDC is fiscally dependent on the City as the City approves their budgets and must approve any debt issuance. However, the component unit does not qualify for blending because the component unit's services directly benefit the community rather than the City itself. The EDC is discretely presented as a governmental fund type and does not issue separate financial statements.

Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component unit. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a specific

**CITY OF GRAND SALINE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balances of current financial resources. The City has presented the following major fund:

General Fund

The General Fund is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

The proprietary funds are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City has two major proprietary funds:

Water and Sewer Fund

The Water and Sewer Fund is used to account for the operations of the water and wastewater system. Activities of the fund include administration, operation and maintenance of the water and sewer system, and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for bonds and contractual obligations when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure financial integrity of the fund.

Solid Waste Fund

The Solid Waste Fund is used to account for the operations of solid waste activities. This includes monitoring the contractual services for solid waste collection as well as billing and collection activities.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements, fund financial statements for proprietary funds, are reported using the economic measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used

**CITY OF GRAND SALINE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

to pay liabilities of the current period. The City considers all revenues as available if they are collected within 60 days after year end.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgements which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The revenues susceptible to accrual are property and sales taxes, franchise taxes and interest income. Other receipts (special assessments) become measurable and available when cash is received by the City and are recognized as revenue at that time.

Cash, Cash Equivalents, and Investments

Cash for all funds, excluding the City's payroll account, certain special revenue accounts, and law enforcement bank accounts, are pooled into a common interest-bearing bank account in order to create efficiencies and maximize investment opportunities. Each fund whose funds are deposited within the pooled cash has equity therein, and interest earned on these funds is allocated based upon relative equity at each month end.

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

The City may invest in certificates of deposit and authorized investment pools and funds.

Accounts Receivables

Trade and property tax receivables are shown net of an allowance for uncollectible.

Prepaid Items

Prepaid balances are for payments made by the City for which benefits extend beyond the current fiscal period, and the reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. Prepaid items are recorded using the consumption method.

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. The City did not have any interfund balances at the end of the current fiscal period.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary funds represent cash, and cash equivalents and investments set aside for repayments of deposits to utility customers and various bond covenants.

Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. The City did not capitalize any interest during the current fiscal year.

**CITY OF GRAND SALINE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	30 - 40
Buildings	30 - 40
Building Improvements	10
Machinery and Vehicles	7 - 20

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City only has one item that qualifies for reporting in this category. The City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year end. Also, the change in actuarial assumptions are amortized as a component of the pension expense over a five-year period beginning with the period in which the difference occurred.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. Deferred revenue from property taxes are shown as deferred inflow of resource. The amount is deferred and recognized as inflows of resources in the period that the amounts become available. As a component of implementing GASB Statement No. 68, a deferred inflow is also recorded in the government-wide statement of net position and fund level financials for the proprietary statement of net position for the difference in projected and actual investment and economic experience in the actuarial measurement of the total pension liability not recognized in the current year. The amount is deferred and amortized over a period of years determined by the plan actuary. The differences are amortized over the average remaining service life of all participants in the respective pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

Property Taxes

The City's property tax is levied each October 1st on the assessed value listed as of the prior January 1st for all real and certain personal property located within the City. Appraised values are established by Van Zandt Appraisal District at 100% of estimated market value and certified by the Appraisal Review Board. Taxes are due on October 1st and are delinquent the following January 1st. The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. The combined tax rate to finance general governmental services including the payment of principal and interest on long-term debt for the year ended September 30, 2021, was \$.92 per \$100 of assessed valuation.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years, however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on property. However, if the effective maintenance and operations tax rate, increased by 8%, excluding other contractual obligations adjusted for new improvements plus the calculated debt tax rate is less than the proposed city tax rate, then qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than the rollback tax rate.

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation, overtime not paid (comp time), and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City's policy states that upon separation an employee will not be paid for accumulated sick leave. All vacation and comp time is accrued at the close of the fiscal year end in the government-wide and proprietary fund financial statements.

Pension Plan

In government-wide financial statements, retirement plans (pension) are required to be recognized and disclosed using

**CITY OF GRAND SALINE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

the accrual basis of accounting regardless of the amounts recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the City recognized a net pension asset, which represents the City's proportionate share of the excess of the fiduciary net position over the total pension liability reflected in the actuarial report provided by the Texas Municipal Retirement System ("TMRS"). The net pension liability is measured as of December 31, 2019. Changes in the net pension liability are recorded as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability (asset) that are recorded as deferred inflow of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) will be amortized over the weighted average remaining service life of all participants and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred inflows/outflows of resources relating to pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as components of pension expense. The difference between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflow of resources and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

Net Position

Net position represents the difference between assets, liabilities, and deferred inflows and outflows. Net investment in capital assets consisted of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use through either legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance

Fund balance classifications are non-spendable, restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal or compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The City classifies governmental fund balance as follows:

Nonspendable - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes determined by ordinance by the City Council and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned - amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established by the City Council or by the City Administrator.

Unassigned - includes the residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned to those specific purposes.

**CITY OF GRAND SALINE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. Committed funds will be used first followed by assigned funds.

The City has adopted a policy to achieve and maintain an unassigned General Fund balance equal to 16.67% of budgeted expenditures. The City considers a balance of less than 8.34% to be a cause for concern, barring unusual or deliberate circumstances. In the event that the unassigned General Fund balance is less than the policy anticipates, the City shall plan to adjust budget resources in the subsequent fiscal years to restore the balance. Currently, the City is in compliance with this policy.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned or unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balances to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the required supplementary information section of the financial statements in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

Program Revenues

Certain revenues such as charges for services are included in program revenues.

Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

Note 2. Budgets and Budgetary Accounting

Annual budgets are adopted on a modified accrual basis. Annual appropriated budgets are legally adopted for the General Fund. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

Prior to September 1, the City Administrator prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are

**CITY OF GRAND SALINE, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

conducted to obtain taxpayer comments.

The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the Council. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund.

The level of control (the level at which expenditures may not exceed the budget) is the fund level. The City Administrator is authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

Note 3. Deposits Investments and Investment Policies

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect the City's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks' dollar amount of the Federal Deposit Insurance Corporation ("FDIC") coverage.

Cash Deposits

At September 30, 2021, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts including temporary investments) was \$2,488,566 and the bank balance was \$2,594,225. The City's cash deposits, at September 30, 2021 and during the year ended September 30, 2021, were entirely covered by FDIC insurance or by pledged collateral or insurance held by the City's agent bank in the City's name.

Statement of Net Position:

Primary Government	
Cash and Cash Equivalents	\$ 1,909,176
Restricted Assets-Cash and Cash Equivalents	579,391
Total Cash and Cash Equivalents	<u>\$ 2,488,566</u>
Governmental-Restricted Cash	
Technology Fund	\$ 1,859
Security Fund	5,252
Main Street	3,952
Covid Funding	293,643
Drug Seizure	1,409
Hotel Fund	11,367
Total	<u>\$ 317,482</u>
Business-type - Restricted Cash	
Debt Service Fund	\$ 142,792
Grant Funds	28,509
Customer Deposits	90,608
Total	<u>\$ 261,909</u>

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

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at market value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "non-participating" means that the investments' value does not vary with market interest rate changes. Non-negotiable certificates of deposits are examples of nonparticipating interest-earning investment contracts.

**CITY OF GRAND SALINE, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus, reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

Fair Value of Investments

Fair value is the amount at which a security could be exchanged in a current transaction between willing parties, other than forced liquidation. GASB 79 created an election option for external investment pools and pool participants to continue to utilize amortized cost accounting, rather than fair value, for certain investment pools and eliminated the reference to SEC 2a-7 guidance. Participants in qualifying pools would be permitted to continue measuring investments at amortized cost if they meet certain criteria. The City's investment pools (Texpool and TexStar) are all in compliance with GASB 79. The City's investment pools, Texpool and TexStar, have elected to continue to measure its investments at fair value even though they meet all criteria under GASB 79 to report at amortized cost. Texpool has elected to continue reporting assets at amortized cost. The City has mirrored these valuations.

<u>Investment Type</u>	<u>Amount</u>	<u>S&P Rating</u>	<u>Weighted Average Maturity</u>	<u>Fair Value Measurements Using Significant Other Observable Inputs (Level 2)</u>
Texpool	\$ 92,620	AAA-m	38 days	N/A
TexStar	40	AAA-m	39 days	N/A
Total	\$ 92,660			

The City is required to disclose the fair value of its investments within the fair value hierarchy established in GASB 72. In the the fair value hierarchy there are three levels:

1. Level One: Inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets that the City can access at the measurement date.
2. Level Two: Inputs (other than quoted prices included within level one) that are observable for an asset or liability, either directly or indirectly.
3. Level Three: Unobservable inputs for an asset or liability.

Federal Securities classified as level two of the fair value hierarchy are valued using an evaluation model maintained by surveying the dealer community, obtaining relevant trade dates and spreads, and incorporating information into the evaluation process.

U.S. Treasury Notes classified as level two of the fair value hierarchy are valued using an evaluation model with continuous repeat feeds from live data sources, including active market makers and inter-dealer brokers.

The City invests in both Texpool and TexStar investment pools which maintain a stable net asset value (NAV) of \$1 per share using the fair value method. The City has no unfunded commitments to these pools and may redeem investments at any time.

As of September 30, 2020, the City's investments were all classified as level two according to GASB Statement No. 72, except for the pools which are exempt from the level of fair value disclosure because they are valued either at NAV or amortized cost.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or

**CITY OF GRAND SALINE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool equal to at least the bank balance, less the FDIC insurance, at all times.

Investment in State Investment Pools

The City is a voluntary participant in two investment pools. These pools include the following: Texpool and TexStar.

The Texas Local Investment Pool is a local government investment pool which operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of investment pool uses amortized costs rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. The Texas Local Government Investment Pool is organized in conformity with the Interlocal Corporation Act, Chapter 791, of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is governed by an Advisory Board composed equally of participants in the Pool, and other persons who do not have participants in the Pool, as well as, persons who do not have a business relationship with the Pool but who are qualified to advise the Pool. A request for Texpool's financial statements can be obtained at www.texpool.com. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM with Standard and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Pools as well as the Office of the Comptroller for public review.

The City also invested in TexSTAR. TexSTAR is administered by Hilltop Securities and JPMorgan Chase. Together, these organizations bring to the TexSTAR program the powerful partnership of two leaders in financial services with a proven and noted track record in local government investment pool management. TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. The fund is rated AAAM by Standard and Poor's. A request for TexSTAR's financial statements can be obtained at www.TexStar.org.

Note 4. Accounts Receivables

Receivables, as of year end, for the City's individual major funds, including the applicable allowances for uncollectable accounts, are as follows:

	<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>
Receivables:			
Taxes	\$ 188,970	\$ -	\$ 188,970
Fees and charges	425,694	556,196	981,890
Gross Receivables	<u>614,664</u>	<u>556,196</u>	<u>1,170,860</u>
Less: Allowance for uncollectibles	<u>(303,538)</u>	<u>(15,213)</u>	<u>(318,751)</u>
Net Total Receivables	<u>\$ 311,126</u>	<u>\$ 540,983</u>	<u>\$ 852,109</u>

CITY OF GRAND SALINE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Note 5. Capital Assets

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

	<u>Beginning Balances</u>	<u>Transfers</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 35,471	\$ -	\$ -	\$ -	\$ 35,471
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	35,471	-	-	-	35,471
Capital assets, being depreciated:					
Buildings & Improvements	280,461	-	18,159	-	298,620
Infrastructure	2,662,981	-	53,400	-	2,716,381
Machinery & Equipment	1,355,687	-	233,160	-	1,588,847
Total capital assets, being depreciated	4,299,129	-	304,719	-	4,603,848
Less accumulated depreciation for:					
Buildings & Improvements	(181,818)	-	(21,408)	-	(203,226)
Infrastructure	(757,230)	-	(127,392)	-	(884,622)
Machinery & Equipment	(542,593)	-	(194,929)	-	(737,522)
Total accumulated depreciation	(1,481,641)	-	(343,729)	-	(1,825,370)
Total capital assets being depreciated, net	2,817,488	-	(39,010)	-	2,778,478
Governmental activities capital assets, net	\$ 2,852,959	\$ -	\$ (39,010)	\$ -	\$ 2,813,949

	<u>Beginning Balances</u>	<u>Transfers</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 14,179	\$ -	\$ -	\$ -	\$ 14,179
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	14,179	-	-	-	14,179
Capital assets, being depreciated:					
Buildings & Improvements	19,559	-	-	-	19,559
Infrastructure	7,628,010	-	-	-	7,628,010
Machinery & Equipment	741,603	-	260,328	-	1,001,931
Total capital assets, being depreciated	8,389,172	-	260,328	-	8,649,500
Less accumulated depreciation for:					
Buildings & Improvements	(14,563)	-	(1,209)	-	(15,772)
Infrastructure	(4,517,187)	-	(201,541)	-	(4,718,728)
Machinery & Equipment	(336,253)	-	(84,720)	-	(420,973)
Total accumulated depreciation	(4,868,003)	-	(287,470)	-	(5,155,473)
Total capital assets, being depreciated, net	3,521,169	-	(27,142)	-	3,494,027
Business-type activities capital assets, net	\$ 3,535,348	\$ -	\$ (27,142)	\$ -	\$ 3,508,206

**CITY OF GRAND SALINE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Note 6. Long Term Obligations

A summary of long-term debt transactions, including the current portion for the year ended September 30, 2021, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Leases	282,664	-	(80,884)	201,780	83,706
Compensated Absences	22,900	38,930	(38,930)	22,900	-
Governmental Activities Long-term Obligations	\$ 305,564	\$ 38,930	\$ (119,814)	\$ 224,680	\$ 83,706
Business-type Activities					
Water & Sewer					
Refunding Bonds	\$ 1,392,000	\$ -	\$ (136,000)	\$ 1,256,000	\$ 141,000
Bonds Payable	405,000	-	(40,000)	365,000	40,000
Plus: Premium	23,301	-	(2,912)	20,389	-
Total Bonds Payable	1,820,301	-	(178,912)	1,641,389	181,000
Note Payable	205,000	-	(67,000)	138,000	68,000
Compensated Absences	22,953	39,020	(39,020)	22,953	-
Business-type Activity Long-term Obligations	\$ 2,048,254	\$ 39,020	\$ (284,932)	\$ 1,802,342	\$ 249,000

Compensated absences represent the estimated liability for employees' accrued vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund or Proprietary Fund based on the assignment of an employee at date of termination.

Changes in Governmental Long-Term Debt

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding September 30, 2020</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding September 30, 2021</u>	<u>Due Within One Year</u>
2017 Southside Bank	3.28%	\$ 146,870	\$ -	\$ -	\$ -	\$ -	\$ -
2018 Southside Bank	3.37%	113,251	-	-	-	-	-
2020 Government Cap.	3.49%	163,103	163,103	-	(52,514)	110,589	54,346
2020 Government Cap.	3.49%	119,561	119,561	-	(28,370)	91,191	29,360
Total Notes Payable		\$ 542,785	\$ 282,664	\$ -	\$ (80,884)	\$ 201,780	\$ 83,706

Debt service requirements are as follows:

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	83,706	7,042	90,748
2023	86,628	4,121	90,749
2024	31,446	1,097	32,543
Total	\$ 201,780	\$ 12,260	\$ 214,040

**CITY OF GRAND SALINE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Notes Payable

In fiscal year 2020, a note in the amount of \$163,103 was issued to finance the purchase of a police vehicle, and three public works vehicles with an interest rate of 3.49%. This note was paid in full in FY2023.

In fiscal year 2020, a note in the amount of \$119,561 was issued to finance the purchase of government wide computer systems and equipment with an interest rate of 3.49%. This note was paid in full in FY2024.

Changes in Business-type Long-Term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding	Issued	Retired	Amounts Outstanding	Due Within One Year
			September 30 2020			September 30 2021	
2007 Refunding Series 2020	4.77%	\$ 1,706,000	\$ 1,392,000	\$ -	\$ (136,000)	\$ 1,256,000	\$ 141,000
	0.00%	405,000	405,000	-	(40,000)	365,000	40,000
Total Bonds Payable		2,111,000	1,797,000	-	(176,000)	1,621,000	181,000
2016 Tax Note	2.40%	456,000	205,000	-	(67,000)	138,000	68,000
Total		\$ 2,567,000	\$ 2,002,000	\$ -	\$ (243,000)	\$ 1,759,000	\$ 249,000

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	Requirements
2022	249,000	59,791	308,791
2023	261,000	51,229	312,229
2024	196,000	42,262	238,262
2025	206,000	34,583	240,583
2026	211,000	26,545	237,545
Thereafter	636,000	9,836	645,836
Total	\$ 1,759,000	\$ 224,246	\$ 1,983,246

On July 19, 2007, \$1,715,000 in advanced refunding bonds were defeased by the City. As a result of this transaction, \$1,706,000 in replacement debt was acquired.

On July 15, 2020, Series 2020 Combination Tax and Surplus Revenue certificates of obligation were issued for \$405,000 to partially fund repairs and enhancements to the City's water and waste water systems. The proceeds from this issue are being held in a third-party escrow account. Also included in this transaction is \$527,500 in principal forgiveness from the Clear Water State Revolving Fund for planning, design, and construction of a wastewater system improvement project.

Note Payable

\$456,000 Tax note issued in December 2015 for the renovation of the water tower. This note will be paid in full in FY2023

Note 7. Pension Plan

Plan Description

The City participates in one of 888 plans in the non-traditional, joint contributory, hybrid defined benefit plans administered by the Texas Municipal Retirement System ("TMRS"). TMRS is an agency created by the State

**CITY OF GRAND SALINE, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the City Council, within the options available in the 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 benefits 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.

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to, but not yet receiving, benefits	20
Active employees	<u>27</u>
Total	<u><u>66</u></u>

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The actuarially determined contribution rates for retirement benefits for the City were 7.33%, and 7.44% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the years ended September 30, 2020 and 2021 \$80,211 and \$83,649, respectively, which were in excess of the required annual contribution for each year.

Net Pension Liability

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

Actuarial assumptions:

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

Inflation	2.50% per year
Overall payroll growth	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%

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

**CITY OF GRAND SALINE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rates of Return (Arithmetic)
Global Equity	30%	5.30%
Core Fixed Income	10%	1.25%
Non-core Fixed Income	20%	4.14%
Real Return	10%	3.85%
Real Estate	10%	4.00%
Absolute Return	10%	3.48%
Private Equity	10%	7.75%
Total	100%	

Discount Rate

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

**CITY OF GRAND SALINE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 3,216,623	\$ 3,243,267	\$ (26,644)
Changes from the year:			
Service cost	153,639		153,639
Interest	217,177		217,177
Change of benefit terms	-		-
Difference between expected and actual experience	52,153		52,153
Changes of assumptions	-		-
Contributions - employer		80,476	(80,476)
Contributions - employee		76,874	(76,874)
Net investment income		245,890	(245,890)
Benefit payments, including refunds of employee contributions	(152,025)	(152,025)	-
Administrative expense		(1,593)	1,593
Other changes		(61)	61
Net changes	270,944	249,561	21,383
Balance at 12/31/2020	\$ 3,487,567	\$ 3,492,828	\$ (5,261)

Sensitivity of the net position liability to change in the discount rate

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

	Current Single Rate		
	1% Decrease	Assumption	1% Increase
	5.75%	6.75%	7.75%
	\$ 466,925	\$ (5,261)	\$ (391,458)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$26,651.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ -	\$ 47,922
Changes in actuarial assumptions	-	6,808
Differences between projected and actual investment earnings	88,066	-
Contributions subsequent to the measurement date of December 31, 2020	59,668	-
Total	\$ 147,734	\$ 54,730

**CITY OF GRAND SALINE, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Deferred outflows of resources in the amount of \$59,668 related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Net deferred outflows (inflows) of resources:	
December 31	
2021	(3,895)
2022	25,908
2023	(49,956)
2024	(5,393)
2025	-
Thereafter	-
	\$ (33,336)

Note 8. Supplemental Death Benefits Plan

Program Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan administered by Texas Municipal Retirement System (TMRS), which is known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to and employee's annual salary (calculated based on the employee's actual earnings for 12-month period preceding the month of death). Retired employees are each insured for \$7,500, and this coverage is reported as an "other postemployment benefit" or (OBEB). As the SDBF is considered as an unfunded OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for financial reporting.

Contributions and Funding Policy

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is to not pre-fund retiree term life insurance during employees' entire career.

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 funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The retiree portion of the contribution rates to the SDBF for the City was 0.1% for calendar years 2019 and 2020. The City's contributions to the TMRS SDBF for retirees for the years ended September 30, 2020 and 2021 were \$2,604 and \$3,590 respectively, which were equal to the actuarially determined contribution (ADC) for each year.

**CITY OF GRAND SALINE, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Summary of Actuarially Assumptions and Other Inputs Used

Inflation	2.50%
Salary increases	3.50% to 11.5%, including inflation
Discount rate	2.00% (The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" as of December 31, 2019)
Retirees' share of benefit-related costs	\$ -
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year ser-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Note: The actuarial assumptions used in the December 31, 2020, valuation was based one the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**CITY OF GRAND SALINE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Employees Covered by Benefit Terms

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

-Inactive employees currently receiving benefits	14
-Inactive employees entitled to, but not yet receiving, benefits	5
-Active employees	27
Total	<u>46</u>

Changes in the Total OPEB Liability

Total OPEB Liability - beginning of year	\$ 100,355
Changes for the year:	
Service costs	4,503
Interest on total OPEB liability	2,808
Changes in benefit terms	-
Differences between expected and actual experience	(7,907)
Changes in assumptions or other inputs	15,213
Benefit payments	(988)
Total OPEB Liability - end of year	<u>\$ 113,984</u>

Covered Payroll	\$ 1,098,206
Total OPEB Liability as a Percentage of Covered Payroll	10.38%

The City's total OPEB liability of \$113,984 was measured at December 31, 2020, and determined by an actuarial valuation as of that date. Accordingly, no roll-forward is required.

	1% Decrease (1.00%)	Current Discount Rate 2.00%	1% Increase (3.00%)
Total OPEB Liability	\$ 139,855	\$ 113,984	\$ 94,388

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

For the year ended September 31, 2021, the City recognized OPEB expense recognized as follows:

Components of OPEB Expense:

Service costs	\$ 4,503
Interest on total OPEB liability	2,808
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(4,269)
Changes in assumptions or other inputs	7,134
Total OPEB expense	<u>\$ 10,176</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,839
Changes in assumptions and other inputs	19,037	
Contributions made subsequent to measurement date	2,827	
Total	<u>\$ 21,864</u>	<u>\$ 7,839</u>

**CITY OF GRAND SALINE, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Deferred outflows of resources in the amount of \$2,827 related to OPEB that resulted from contributions made subsequent to the measurement date but before September 30, 2021, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period rather than the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to OPEB will be recognized in future OPEB expense as follows:

	Net Deferred Outflows (Inflows) of Resources
2021	\$ 1,284
2022	5,479
2023	3,757
2024	678
2025	-
Thereafter	-
Total	<u>\$ 11,198</u>

Note 9. Health Care Coverage

During the year ended September 30, 2021, employees of the City were covered by a health insurance plan ("Plan"). The City paid 100% of the premium per pay period, per employee, and 0% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All contributions were paid to Texas Municipal League Intergovernmental Benefits Pool. The Plan was authorized by article 3.51-2, of the Texas Insurance Code and was documented by contractual agreement.

The City also pays the premium for a \$10,000 life insurance policy for each employee. Employees may, at their option, obtain coverage for cancer, dental, vision and additional life insurance through the Plan. Employees pay 100% of the premiums for any such additional coverage.

The contract between the City and the other participants of the self-funded pool is renewable October 1 and the terms of coverage and premium cost are included in the contract provision.

Additional assessments cannot be made by the Plan during the year. Because of the terms of agreement with the Plan, no reserve for self-insurance has been established.

Note 10. Insurance Coverage

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas, in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000, and for aggregate loss. According to the latest actuarial opinion, dated October 1, 2018, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

Note 11. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**CITY OF GRAND SALINE, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Note 12. Litigation

The City is not currently subject to any legal proceedings.

Note 13. Transfers

	Transfers Out	Transfers In	Totals
Governmental Funds	\$ -	\$ 1,625,762	\$ 1,625,762
Business-type Funds	(1,625,762)	-	(1,625,762)
Total	<u>\$ (1,625,762)</u>	<u>\$ 1,625,762</u>	<u>\$ -</u>

Transfers are used for 1) debt service obligations and 2) administrative fees.

Note 14. Related Party Transactions

There were no related party transactions noted during the fiscal year.

Note 15. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2021 up through August 17, 2022 the date the financial statements were available to be issued. During this period, management noted no subsequent events requiring disclosure.

Note 16. Economic Development Corporation

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, the EDC is a discretely presented component unit on the combined financial statements. The EDC was incorporated in February, 1997. The for the EDC occurs by the City transferring 1/4 of sales tax revenues collected by the City. The EDC is managed by a board of directors, composed entirely of persons appointed by the governing body of the City of Grand Saline, Texas. The purpose of the EDC is to promote economic development by funding public improvements, including but not limited to, public safety, streets, traffic control, water utilities drainage, parks, and other projects for the promotion and development of new and expanded business enterprises as set out in Article 5910.06, Section 4B of the Texas Revised Civil Statutes Development Corporation Act of 1979. There are no separate financial statements for the EDC.

Cash and Cash Equivalents

At September 30, 2021, the carrying amount of the EDC's deposits (cash, certificates of deposit, and interest-bearing savings accounts including in temporary investments) was \$366,646 and the bank balance was \$366,646. The EDC's cash deposits at September 30, 2021, and during the year ended September 30, 2021, were entirely covered by FDIC or by pledged collateral held by the EDC's agent bank in the EDC's name.

Statement of net position:

Cash and cash equivalents	<u>\$ 366,646</u>
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Receivables

Receivables as of fiscal year-end for the EDC were \$30,295, representing sales tax owed from the City. Receivables were collected after year end; therefore, no allowance for uncollectible has been recorded.

CITY OF GRAND SALINE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Capital Assets

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
EDC Activities				
Capital assets not being depreciated				
Land	\$ 50,050	\$ -	\$ -	\$ 50,050
Total capital assets not being depreciated	<u>50,050</u>	<u>-</u>	<u>-</u>	<u>50,050</u>
Capital assets being depreciated:				
Buildings & Improvements	443,871	-	-	443,871
Machinery & Equipment	1,791	-	-	1,791
Total capital assets being depreciated	<u>445,662</u>	<u>-</u>	<u>-</u>	<u>445,662</u>
Less accumulated depreciation for:				
Buildings & Improvements	(156,181)	-	(17,243)	(173,424)
Machinery & Equipment	(1,791)	-	-	(1,791)
Total accumulated depreciation	<u>(157,972)</u>	<u>-</u>	<u>(17,243)</u>	<u>(175,215)</u>
Total capital assets being depreciated, net	<u>287,690</u>	<u>-</u>	<u>(17,243)</u>	<u>270,447</u>
EDC activities capital assets, net	<u>\$ 337,740</u>	<u>\$ -</u>	<u>\$ (17,243)</u>	<u>\$ 320,497</u>

Subsequent Events

The EDC has evaluated all events or transactions that occurred after September 30, 2021 up through August 17, 2022, the date the financial statements were available to be issued. During this period, management noted no material subsequent events requiring disclosure.



REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GRAND SALINE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**SCHEDULE OF CONTRIBUTIONS
LAST FIVE FISCAL YEARS (UNAUDITED)**

	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Actuarially determined contribution	\$ 80,142	\$ 67,537	\$ 41,680	\$ 46,007	\$ 45,371	\$ 44,460	\$ 52,329
Contributions in relation to the actuarially determined contribution	\$ 80,142	\$ 67,537	\$ 41,680	\$ 46,007	\$ 45,371	\$ 44,460	\$ 52,329
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,098,206	\$ 972,701	\$ 894,842	\$ 818,340	\$ 834,020	\$ 798,211	\$ 820,209
Contributions as a percentage of covered employee payroll	7.30%	6.94%	4.66%	5.62%	5.44%	5.57%	6.38%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: December 31, 2020

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10-year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation, pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes: There are no benefit changes during the year.

Note: Years will continue to be added until there are 10 years for comparison

**CITY OF GRAND SALINE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS-TMRS**

	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total Pension Liability							
Service cost	\$ 153,639	\$ 137,054	\$ 128,678	\$ 97,137	\$ 99,665	\$ 93,471	\$ 93,290
Interest (on the Total Pension Liability)	217,177	200,186	200,886	183,736	181,128	178,228	176,523
Changes of benefit terms	-	-	199,937	-	-	-	-
Difference between expected and actual experience	52,153	29,322	(155,827)	(30,229)	(82,185)	(70,391)	(125,158)
Change of assumptions	-	16,894	-	-	-	37,303	-
Benefit payments, including refunds of employee contributions	(152,025)	(128,056)	(248,541)	(176,000)	(141,418)	(67,455)	(173,337)
Net Change in Total Pension Liability	270,944	255,400	125,133	74,644	57,190	171,156	(28,682)
Total Pension Liability - Beginning	3,216,623	2,961,223	2,836,090	2,761,446	2,704,256	2,533,100	2,561,782
Total Pension Liability - Ending	\$ 3,487,567	\$ 3,216,623	\$ 2,961,223	\$ 2,836,090	\$ 2,761,446	\$ 2,704,256	\$ 2,533,100
Plan Fiduciary Net Position							
Contribution - employer	\$ 80,476	\$ 81,901	\$ 42,415	\$ 44,517	\$ 46,455	\$ 50,926	\$ 51,509
Contribution - employee	76,874	68,089	62,639	57,284	58,381	55,875	57,415
Net investment income	245,890	431,370	(90,602)	377,915	175,058	3,762	141,521
Benefit payments, including refunds of employee contributions	(152,025)	(128,056)	(248,541)	(176,000)	(141,418)	(67,455)	(173,337)
Administrative expense	(1,593)	(2,439)	(1,753)	(1,958)	(1,977)	(2,292)	(1,478)
Other	(61)	(73)	(92)	(99)	(107)	(113)	(121)
Net Change in Plan Fiduciary Net Position	249,561	450,792	(235,934)	301,659	136,392	40,703	75,509
Plan Fiduciary Net Position - Beginning	3,243,267	2,792,475	3,028,409	2,726,750	2,590,358	2,549,655	2,474,146
Plan Fiduciary Net Position - Ending	\$ 3,492,828	\$ 3,243,267	\$ 2,792,475	\$ 3,028,409	\$ 2,726,750	\$ 2,590,358	\$ 2,549,655
Net Pension Liability	\$ (5,261)	\$ (26,644)	\$ 168,748	\$ (192,319)	\$ 34,696	\$ 113,898	\$ (16,555)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	100.15%	100.83%	94.30%	106.78%	98.74%	95.79%	100.65%
Covered employee payroll	\$ 972,701	\$ 972,701	\$ 894,842	\$ 818,340	\$ 834,020	\$ 798,211	\$ 820,209
Net Pension Liability as a percentage of covered employee payroll	-0.54%	-2.74%	18.86%	-23.50%	4.16%	14.27%	-2.02%

Note: Years will be added until there are 10 years of comparison

**CITY OF GRAND SALINE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS-TMRS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Total OPEB Liability				
Service cost	\$ 4,503	\$ 3,404	\$ 3,758	\$ 3,028
Interest (on the Total OPEB Liability)	2,808	2,926	2,988	2,943
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(7,907)	2,041	(11,643)	-
Change of assumptions	15,213	15,347	(5,395)	6,773
Benefit payments, including refunds of employee contributions	(988)	(1,070)	(805)	(573)
Net Change in Total Pension Liability	<u>13,629</u>	<u>22,648</u>	<u>(11,097)</u>	<u>12,171</u>
Total OPEB Liability - Beginning	<u>100,355</u>	<u>77,707</u>	<u>88,804</u>	<u>76,633</u>
Total OPEB Liability - Ending	<u><u>\$ 113,984</u></u>	<u><u>\$ 100,355</u></u>	<u><u>\$ 77,707</u></u>	<u><u>\$ 88,804</u></u>
Covered employee payroll	\$ 1,098,206	\$ 972,701	\$ 894,842	\$ 818,340
Total OPEB liability as a percentage of covered employee payroll	10.38%	10.32%	8.68%	10.85%

See accompanying notes to these financial statements for more detail.

**CITY OF GRAND SALINE, TEXAS
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes, including P&I	\$ 523,600	\$ 523,600	\$ 543,978	\$ 20,378
Franchise fees	115,000	115,000	69,596	(45,404)
Fines and forfeitures	85,150	85,150	74,825	(10,325)
Sales tax collected	436,000	436,000	563,327	127,327
Licenses and permits	3,500	3,500	27,361	23,861
Donations	4,800	4,800	4,428	(372)
Intergovernmental	55,432	55,432	269,138	213,706
Charge for services	29,850	29,850	85,331	55,481
Miscellaneous	91,600	91,600	160,363	68,763
Total Revenues	<u>1,344,932</u>	<u>1,344,932</u>	<u>1,798,345</u>	<u>453,413</u>
EXPENDITURES				
General Government:				
Administration & public information	411,890	411,890	442,610	(30,720)
Capital expenditures	-	-	114,089	(114,089)
Principal & interest payments	-	-	90,749	(90,749)
Total General Government	<u>411,890</u>	<u>411,890</u>	<u>647,448</u>	<u>(235,557)</u>
Public Safety				
Police	597,372	597,372	701,047	(103,675)
Fire	41,531	41,531	41,814	(283)
Capital expenditures	-	-	119,070	(119,070)
Total Public Safety	<u>638,903</u>	<u>638,903</u>	<u>861,931</u>	<u>(223,028)</u>
Public Works				
Streets	355,518	355,518	149,103	206,415
Capital expenditures	-	-	53,400	(53,400)
Total Public Works	<u>355,518</u>	<u>355,518</u>	<u>202,503</u>	<u>153,015</u>
Public Services and Operations				
	149,680	149,680	176,903	(27,223)
Library				
	56,024	56,024	76,328	(20,304)
Parks and Recreation				
Parks and recreation	76,641	76,641	91,858	(15,217)
Capital expenditures	-	-	18,158	(18,158)
Total Parks and Recreation	<u>76,641</u>	<u>76,641</u>	<u>110,016</u>	<u>(33,375)</u>
Main Street				
	111,965	111,965	73,895	38,069
Total Expenditures	<u>1,800,620</u>	<u>1,800,620</u>	<u>2,149,023</u>	<u>(348,403)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(455,688)</u>	<u>(455,688)</u>	<u>(350,677)</u>	<u>105,010</u>
Other Revenues and Financing Sources (uses)				
Investment income	1,500	1,500	3,497	1,997
Transfers	456,772	456,772	1,624,062	1,167,289
Total Other Financing Sources (uses)	<u>458,272</u>	<u>458,272</u>	<u>1,627,559</u>	<u>1,169,286</u>
Net Change in Fund Balances	2,585	2,585	1,276,882	1,274,297
Fund Balances/Equity, October 1	384,313	384,313	384,313	
Fund Balances/Equity, September 30	<u>\$ 386,898</u>	<u>\$ 386,898</u>	<u>\$ 1,661,195</u>	

The accompanying notes to the basic financial statements are an integral part of this financial statement.



SUPPLEMENTARY INFORMATION

CITY OF GRAND SALINE, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

	<u>Municipal Court</u>	<u>Seizure Fund</u>	<u>Hotel Occupancy</u>	<u>Main Street</u>	<u>Capital Improvements</u>	<u>Volunteer Fire</u>	<u>Emergency Services</u>	<u>Covid</u>	<u>Total Non-major Governmental Funds</u>
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 13,460	\$ 40	\$ 59,809	\$ 19,048	\$ -	\$ 92,358
Cash and cash equivalents-restricted	7,111	1,409	11,367	3,952	-	-	-	293,644	317,482
Total Assets	<u>7,111</u>	<u>1,409</u>	<u>11,367</u>	<u>17,412</u>	<u>40</u>	<u>59,809</u>	<u>19,048</u>	<u>293,644</u>	<u>409,840</u>
LIABILITIES									
Accounts payable	-	-	-	(147)	-	505	2,859	293,644	296,861
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(147)</u>	<u>-</u>	<u>505</u>	<u>2,859</u>	<u>293,644</u>	<u>296,861</u>
FUND BALANCES									
Restricted for:									
General government	-	-	-	-	-	-	-	-	-
Municipal court	7,111	-	-	-	-	-	-	-	7,111
Hotel	-	-	11,367	-	-	-	-	-	11,367
Assigned:									
Police	-	1,409	-	-	-	-	-	-	1,409
Main street	-	-	-	17,559	-	-	-	-	17,559
Capital improvements	-	-	-	-	40	-	-	-	40
Fire	-	-	-	-	-	59,304	-	-	59,304
EMS	-	-	-	-	-	-	16,189	-	16,189
Total Fund Balances	<u>7,111</u>	<u>1,409</u>	<u>11,367</u>	<u>17,559</u>	<u>40</u>	<u>59,304</u>	<u>16,189</u>	<u>-</u>	<u>112,979</u>
Total Liabilities and Fund Balances	<u>\$ 7,111</u>	<u>\$ 1,409</u>	<u>\$ 11,367</u>	<u>\$ 17,412</u>	<u>\$ 40</u>	<u>\$ 59,809</u>	<u>\$ 19,048</u>	<u>\$ 293,644</u>	<u>\$ 409,840</u>

CITY OF GRAND SALINE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Municipal Court	Seizure Fund	Hotel Occupancy	Main Street	Capital Improvements	Volunteer Fire	Emergency Services	Covid	Total Non-major Governmental Funds
REVENUE									
Hotel/Motel taxes	\$ -	\$ -	\$ 2,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,116
Charge for services	2,546	-	-	16,122	-	-	16,608	-	35,275
Grant revenue	-	-	-	51,573	-	-	-	99,469	151,042
Miscellaneous	-	360	-	-	-	39,381	-	-	39,741
Total Revenues	2,546	360	2,116	67,694	-	39,381	16,608	99,469	228,174
EXPENDITURES									
Current operating:									
General government	-	-	2,825	-	-	-	-	99,469	102,294
Public safety	-	-	-	-	-	171,530	17,036	-	188,566
Public services and operations	-	-	-	-	-	-	-	-	-
Main street	-	-	-	75,138	-	-	-	-	75,138
Capital outlay:									
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Public services and operations	-	-	-	-	-	-	-	-	-
Total Expenditures	-	-	2,825	75,138	-	171,530	17,036	99,469	365,998
Excess (deficiency) of revenues over (under) expenditures	2,546	360	(709)	(7,443)	-	(132,149)	(428)	-	(137,824)
Other Revenues and Financing Sources (uses)									
Investment income	19	4	38	48	-	257	57	-	423
Intergovernmental	-	-	-	-	-	120,000	-	-	120,000
Transfers	-	-	-	-	-	1,700	-	-	1,700
Total Other Financing Sources (uses)	19	4	38	48	-	121,957	57	-	122,123
Net Change in Fund Balances	2,564	364	(671)	(7,396)	-	(10,192)	(371)	-	(15,701)
Fund Balances/Equity, October 1	4,547	1,045	12,038	24,954	40	69,496	16,560	-	128,680
Fund Balances/Equity, September 30	\$ 7,111	\$ 1,409	\$ 11,367	\$ 17,559	\$ 40	\$ 59,304	\$ 16,189	\$ -	\$ 112,979