

CITY OF HALLSVILLE, TEXAS
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2021

CITY OF HALLSVILLE, TEXAS

CITY COUNCIL

<u>Name</u>	<u>Address</u>	<u>Usual Occupation</u>
Jesse Casey, Mayor	109 Mallard Lane Hallsville, Texas	Retired - Public Educator/Administrator
Gary Lovelace, Mayor Pro-tem	445 Cal Young Road Hallsville, Texas	Retired - Public Educator/Administrator
<u>Aldermen</u>		
Lauren Bresch	115 Winifreds Way Hallsville, Texas	Assistant Director - 1 st Christian Prep School
Brant Cain	717 Waldrons Ferry Road Hallsville, Texas	Medical Practice Manager
Charlie Hunt	110 Mossy Creek Hallsville, Texas	Engineer - Texas Eastman
Guy Walker	203 Trailridge Drive Hallsville, Texas	Hallsville Independent School District - Maintenance

CITY OF HALLSVILLE, TEXAS

TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2021

	<u>PAGE</u>
<u>Independent Auditors' Report</u>	1
<u>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></u>	3
<u>Management's Discussion and Analysis</u>	5
<u>Basic Financial Statements:</u>	
Government Wide Statements:	
Statement of Net Position	10
Statement of Activities	11
Governmental Funds Financial Statements:	
Balance Sheet	12
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	16
Proprietary Fund Financial Statements:	
Statement of Net Position	17
Statement of Revenues, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19
<u>Notes to the Financial Statements</u>	21
<u>Required Supplementary Information:</u>	
Texas Municipal Retirement System:	
Schedule of Changes in Net Pension Liability and Related Ratios	48
Schedule of Contributions	49
Schedule of Changes in Net OPEB Liability and Related Ratios	50
<u>Supplemental Schedules:</u>	
Water and Sewer Fund - Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual	51
Schedules of Statistical Recap for the Last Ten Years:	
General Fund	52
Proprietary Fund	53

KNUCKOLS • DUVALL • HALLUM & CO. *A Professional Corporation*

CERTIFIED PUBLIC ACCOUNTANTS

204 S. WELLINGTON STREET
POST OFFICE BOX 1315
MARSHALL, TEXAS 75670
(903) 938-0331 • FAX (903) 938-0334

INDEPENDENT AUDITORS' REPORT

City Council
City of Hallsville, Texas

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 9, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions, and Schedule of Changes in Net OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hallsville, Texas' basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2023, on our consideration of City of Hallsville, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hallsville, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

KNUCKOLS, DUVALL, HALLUM & CO.


Certified Public Accountants

Marshall, Texas

May 31, 2023

204 S. WELLINGTON STREET
POST OFFICE BOX 1315
MARSHALL, TEXAS 75670
(903) 938-0331 • FAX (903) 938-0334

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

City Council
City of Hallsville, Texas

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Hallsville, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of Hallsville, Texas' basic financial statements, and have issued our report thereon dated May 31, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

KNUCKOLS, DUVALL, HALLUM & CO.


Certified Public Accountants

Marshall, Texas

May 31, 2023

CITY OF HALLSVILLE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED SEPTEMBER 30, 2021

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

USING THIS REPORT

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

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

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begin on page 10. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all of the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting, which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs and revenues provided by taxpayers (property, sales, and franchise tax revenue). All of the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

CITY OF HALLSVILLE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED SEPTEMBER 30, 2021

In the Statement of Net Position, the City has two types of activities:

Governmental activities – Most of the City's basic services are reported here, including administrative, police, and parks. Property taxes, sales taxes, franchise fees, sanitation fees, and fines finance most of these activities.

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds – not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories-governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term 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.

The City maintains two governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund and the Debt Service Fund. The General Fund is considered to be the major fund.

Proprietary Funds – The City maintains one type of proprietary fund, which is the enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the water and sewer activities.

CITY OF HALLSVILLE, TEXAS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2021**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indication of a government's financial position. In the case of the City of Hallsville, assets exceeded liabilities by \$10,268,010 as of September 30, 2021. This includes \$178,086 of TMRS and OPEB Liability. Approximately 50% of the City's net position is unrestricted.

**TABLE I
CITY OF HALLSVILLE, TEXAS' NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	3,124,883	2,252,112	3,140,227	3,175,235	6,265,110	5,427,347
Capital Assets	<u>2,909,904</u>	<u>3,022,172</u>	<u>7,759,114</u>	<u>7,052,631</u>	<u>10,669,018</u>	<u>10,074,803</u>
Total Assets	<u>6,034,787</u>	<u>5,274,284</u>	<u>10,899,341</u>	<u>10,227,866</u>	<u>16,934,128</u>	<u>15,502,150</u>
Deferred Outflows - TMRS	<u>34,465</u>	<u>30,554</u>	<u>-</u>	<u>-</u>	<u>34,465</u>	<u>30,554</u>
Long-Term Liabilities	971,086	1,069,292	4,817,000	5,013,300	5,788,086	6,082,592
Other Liabilities	<u>64,322</u>	<u>20,359</u>	<u>811,912</u>	<u>232,422</u>	<u>876,234</u>	<u>252,781</u>
Total Liabilities	<u>1,035,408</u>	<u>1,089,651</u>	<u>5,628,912</u>	<u>5,245,722</u>	<u>6,664,320</u>	<u>6,335,373</u>
Deferred Inflows - TMRS	<u>36,263</u>	<u>45,474</u>	<u>-</u>	<u>-</u>	<u>36,263</u>	<u>45,474</u>
Net Position:						
Invested in Capital Assets, Net of Related Debt	2,116,904	2,125,472	2,942,114	2,039,331	5,059,018	4,164,803
Restricted for: Debt Service	91,614	85,356	-	-	91,614	85,356
Unrestricted	<u>2,789,063</u>	<u>1,958,885</u>	<u>2,328,315</u>	<u>2,942,813</u>	<u>5,117,378</u>	<u>4,901,698</u>
Total Net Position	<u>4,997,581</u>	<u>4,169,713</u>	<u>5,270,429</u>	<u>4,982,144</u>	<u>10,268,010</u>	<u>9,151,857</u>

CITY OF HALLSVILLE, TEXAS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2021**

**TABLE II
CITY OF HALLSVILLE, TEXAS' CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue:						
Program Revenues:						
Fees, Fines, & Charges for Serv.	786,874	769,198	1,740,277	1,635,513	2,527,151	2,404,711
Operating Grants & Contributions	509	7,480	-	-	509	7,480
General Revenues:						
Property Taxes	921,791	901,370	-	-	921,791	901,370
Sales Taxes	1,091,359	880,559	-	-	1,091,359	880,559
Franchise Taxes	101,099	109,160	-	-	101,099	109,160
Investment Earnings	743	6,861	1,216	10,256	1,959	17,117
Miscellaneous	<u>37,390</u>	<u>88,315</u>	<u>-</u>	<u>-</u>	<u>37,390</u>	<u>88,315</u>
Total Revenue	<u>2,939,765</u>	<u>2,762,943</u>	<u>1,741,493</u>	<u>1,645,769</u>	<u>4,681,258</u>	<u>4,408,712</u>
Expenses:						
General Govt. & Public Safety	1,742,898	1,555,912	-	-	1,742,898	1,555,912
Water and Sewer	<u>-</u>	<u>-</u>	<u>1,822,207</u>	<u>1,989,261</u>	<u>1,822,207</u>	<u>1,989,261</u>
Total Expenses	<u>1,742,898</u>	<u>1,555,912</u>	<u>1,822,207</u>	<u>1,989,261</u>	<u>3,565,105</u>	<u>3,545,173</u>
Increase (Decrease) in Net Position Before Transfers	1,196,867	1,207,031	(80,714)	(343,492)	1,116,153	863,539
Transfers	<u>(368,999)</u>	<u>(365,675)</u>	<u>368,999</u>	<u>365,675</u>	<u>-</u>	<u>-</u>
Increase in Net Position	827,868	841,356	288,285	22,183	1,116,153	863,539
Net Position at Beginning of Year	<u>4,169,713</u>	<u>3,328,357</u>	<u>4,982,144</u>	<u>4,959,961</u>	<u>9,151,857</u>	<u>8,288,318</u>
Net Position at End of Year	<u>4,997,581</u>	<u>4,169,713</u>	<u>5,270,429</u>	<u>4,982,144</u>	<u>10,268,010</u>	<u>9,151,857</u>

As of September 30, 2021, the City is able to report positive balances in all three categories of net position for the government as a whole.

Governmental Activities - The City's general revenues increased approximately 8.30% for the year, while general government and public service and safety expenses increased about 12%. Fees, fines, and charges for services increased approximately 2% this year. Operating grants and contributions decreased 93% this year. Property tax revenue increased 2%, which was due to the fact that the City's property tax assessed values increased 5% from last year and property tax rates decreased \$.0009036 per \$100 valuation. Sales taxes revenue increased 23%.

Business-Type Activities - Business-type activities net position increased by \$288,285 or less than 5.70%.

CITY OF HALLSVILLE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2021

CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$3,048,988, which is an increase over last year's total of \$2,216,520. Included in this year's change in fund balance is an increase of \$826,210 in the General Fund. This increase was mainly due to revenues were more than anticipated and expenditures were less than budgeted.

At the end of the year, unrestricted net position for the enterprise fund was \$2,328,315. Net position for the Water and Sewer Fund increased \$288,285 for the year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the City had \$18,940,177 invested in a broad range of capital assets. This amount represents a net increase of approximately 6% above last year.

This year's major additions included:

Police and Other General Fund Equipment and Automobiles	70,694
General Fund Improvements	2,867
Water and Sewer Land	60,784
Water and Sewer System Equipment	44,373
Water and Sewer System Improvements	<u>928,841</u>
Total	<u>1,107,559</u>

Long-Term Debt

At year-end, the City had \$5,610,000 in bonds outstanding versus \$5,910,000 last year - a decrease of \$300,000 or 5%. The General Obligation Bonds are secured by the City's limited ad valorem tax levy.

UNCERTAINTY

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and it is currently affecting many parts of the world, including the United States and Texas. The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

The City's elected officials and administration considered many factors when approving the property tax rate of \$0.341481 in September 2021, which consists of \$.164492 for the General Fund and \$.176989 for the Debt Service Fund.

CONTACTING CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's office at 115 W. Main, Hallsville, Texas.

CITY OF HALLSVILLE, TEXAS

**GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

	PRIMARY GOVERNMENT		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash on Hand and in Bank	1,414,656	747,046	2,161,702
Temporary Investments	1,601,901	784,855	2,386,756
Investments - Time Certificates of Deposit	72,440	-	72,440
Receivables (Net, Where Applicable, of Allowance for Uncollectibles)	158,075	169,372	327,447
Internal Balances	(122,189)	122,189	-
Restricted Assets:			
Cash on Hand and in Bank	-	213,949	213,949
Temporary Investments	-	1,060,020	1,060,020
Investments - Time Certificates of Deposit	-	42,796	42,796
Capital Assets:			
Construction in Progress	6,539	906,800	913,339
Land	76,892	241,504	318,396
Buildings	454,201	-	454,201
Water and Sewer System	-	12,145,974	12,145,974
Equipment	1,137,725	868,146	2,005,871
Improvements	181,933	-	181,933
Infrastructure	2,920,463	-	2,920,463
Accumulated Depreciation	(1,867,849)	(6,403,310)	(8,271,159)
TOTAL ASSETS	6,034,787	10,899,341	16,934,128
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	20,211	-	20,211
Deferred Outflows Related to OPEB	14,254	-	14,254
TOTAL DEFERRED OUTFLOWS OF RESOURCES	34,465	-	34,465
LIABILITIES			
Accounts Payable	55,258	93,804	149,062
Accrued Interest Payable	2,528	21,270	23,798
Accrued Liabilities	6,536	-	6,536
Payable From Restricted Assets:			
Customer Deposits	-	164,594	164,594
Unearned Grant Funds	-	532,244	532,244
Noncurrent Liabilities:			
Due Within One Year	106,750	198,250	305,000
Due in More Than One Year	686,250	4,618,750	5,305,000
Net Pension Liability (City's Share)	123,116	-	123,116
Net OPEB Liability	54,970	-	54,970
TOTAL LIABILITIES	1,035,408	5,628,912	6,664,320
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	30,585	-	30,585
Deferred Inflows Related to OPEB	5,678	-	5,678
TOTAL DEFERRED INFLOWS OF RESOURCES	36,263	-	36,263
NET POSITION			
Invested in Capital Assets, Net of Related Debt	2,116,904	2,942,114	5,059,018
Restricted for:			
Debt Service	91,614	-	91,614
Unrestricted	2,789,063	2,328,315	5,117,378
TOTAL NET POSITION	4,997,581	5,270,429	10,268,010

- See the accompanying notes to these financial statements -

CITY OF HALLSVILLE, TEXAS

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<u>PROGRAM ACTIVITIES</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION</u>		
		<u>Fees, Fines and Charges For Services</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:						
General Government and Public Safety	<u>1,742,898</u>	<u>786,874</u>	<u>509</u>	<u>(955,515)</u>	<u>-</u>	<u>(955,515)</u>
Total Governmental Activities	<u>1,742,898</u>	<u>786,874</u>	<u>509</u>	<u>(955,515)</u>	<u>-</u>	<u>(955,515)</u>
Business-Type Activities:						
Water and Sewer	<u>1,822,207</u>	<u>1,740,277</u>	<u>-</u>	<u>-</u>	<u>(81,930)</u>	<u>(81,930)</u>
Total Business-Type Activities	<u>1,822,207</u>	<u>1,740,277</u>	<u>-</u>	<u>-</u>	<u>(81,930)</u>	<u>(81,930)</u>
Total Government	<u>3,565,105</u>	<u>2,527,151</u>	<u>509</u>	<u>(955,515)</u>	<u>(81,930)</u>	<u>(1,037,445)</u>
General Revenues:						
Taxes:						
Property				921,791	-	921,791
Sales				1,091,359	-	1,091,359
Franchise				101,099	-	101,099
Miscellaneous				37,390	-	37,390
Investment Earnings				743	1,216	1,959
Transfers				<u>(368,999)</u>	<u>368,999</u>	<u>-</u>
Total General Revenues and Transfers				<u>1,783,383</u>	<u>370,215</u>	<u>2,153,598</u>
Changes in Net Position				<u>827,868</u>	<u>288,285</u>	<u>1,116,153</u>
Net Position At Beginning of Year				<u>4,169,713</u>	<u>4,982,144</u>	<u>9,151,857</u>
Net Position At End of Year				<u>4,997,581</u>	<u>5,270,429</u>	<u>10,268,010</u>

- See the accompanying notes to these financial statements -

CITY OF HALLSVILLE, TEXAS

**GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2021**

<u>ASSETS</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Cash on Hand and in Bank	1,210,677	203,979	1,414,656
Temporary Investments	1,601,901	-	1,601,901
Investments - Time Certificates of Deposit	72,440	-	72,440
Sales Tax Receivable	88,814	-	88,814
Taxes Receivable	14,985	18,306	33,291
Street Usage Fees Receivable	19,055	-	19,055
Garbage Collection Fees Receivable	36,105	-	36,105
Allowance for Uncollectible Taxes	(8,932)	(10,258)	(19,190)
Due from Other Funds	<u>4,855</u>	<u>-</u>	<u>4,855</u>
TOTAL ASSETS	<u>3,039,900</u>	<u>212,027</u>	<u>3,251,927</u>
<u>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</u>			
<u>Liabilities:</u>			
Accounts Payable	55,258	-	55,258
Accrued Liabilities	6,536	-	6,536
Due to Other Funds	<u>14,679</u>	<u>112,365</u>	<u>127,044</u>
Total Liabilities	<u>76,473</u>	<u>112,365</u>	<u>188,838</u>
<u>Deferred Inflows of Resources:</u>			
Unavailable Revenue - Property Taxes	<u>6,053</u>	<u>8,048</u>	<u>14,101</u>
Total Inflows of Resources	<u>6,053</u>	<u>8,048</u>	<u>14,101</u>
<u>Fund Balance:</u>			
Restricted:			
Construction	4,733	-	4,733
Muni-Court Technology	10,102	-	10,102
Purpose of Grantors	7,599	-	7,599
Debt Service	-	91,614	91,614
Assigned:			
Street Repairs	72,440	-	72,440
Unassigned	<u>2,862,500</u>	<u>-</u>	<u>2,862,500</u>
Total Fund Balance	<u>2,957,374</u>	<u>91,614</u>	<u>3,048,988</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	<u>3,039,900</u>	<u>212,027</u>	<u>3,251,927</u>

- See the accompanying notes to these financial statements -

CITY OF HALLSVILLE, TEXAS

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

Total Fund Balances - Total Governmental Funds	3,048,988
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	2,909,904
Long-term liabilities are not due and payable in the current period, and therefore, they are not reported in the governmental fund balance sheet.	(793,000)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental fund balance sheet.	(2,528)
Assets not available to pay for current period expenditures are deferred in the governmental fund balance sheet.	14,101
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$123,116, a Deferred Resource Inflow related to TRS in the amount of \$30,585 and a Deferred Resource Outflow related to TRS in the amount of \$20,211. This amounted to a decrease in Net Position in the amount of (\$133,490).	(133,490)
Included in the items related to debt are the reporting requirements for the OPEB benefit plan through TMRS. The City's share of the TMRS plan resulted in a net OPEB liability of \$54,970 a deferred outflow of \$14,254, and a deferred inflow of \$5,678. This resulted in a net decrease in Net Position in the amount of \$(46,394).	<u>(46,394)</u>
Net Position of Governmental Activities	<u>4,997,581</u>

- See the accompanying notes to these financial statements -

CITY OF HALLSVILLE, TEXAS

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

	General Fund	Debt Service Fund	Total Governmental Funds
<u>REVENUES:</u>			
Ad Valorem Taxes, Penalties and Interest	424,360	501,350	925,710
Sales Tax	1,091,359	-	1,091,359
Garbage Collection Fees	420,718	-	420,718
Utilities Franchise Taxes (Street Rentals)	101,099	-	101,099
Interest Income	743	-	743
Police Department Income	225,479	-	225,479
Grant Income	509	-	509
Building and Mobile Home Permits	140,677	-	140,677
Miscellaneous Fees and Revenues	<u>37,390</u>	<u>-</u>	<u>37,390</u>
Total Revenues	<u>2,442,334</u>	<u>501,350</u>	<u>2,943,684</u>
<u>EXPENDITURES:</u>			
General Government			
Salaries, Payroll Taxes, Retirement, and Insurance	722,119	-	722,119
Repairs and Maintenance	42,912	-	42,912
Garbage Collection Cost	307,842	-	307,842
Utilities and Telephone	29,426	-	29,426
Miscellaneous Expenditures	2,249	-	2,249
City Hall Expenditures	14,927	-	14,927
Office Expenditures	19,865	-	19,865
Insurance	22,589	-	22,589
Legal and Audit Fees	18,376	-	18,376
Travel and Seminars	18,970	-	18,970
Tax Appraisal and Collection	17,388	-	17,388
Public Safety - Police	169,997	-	169,997
Street Maintenance	155,903	-	155,903
Debt Service			
Principal Retirement	-	103,700	103,700
Interest and Fees	-	22,393	22,393
Capital Outlay	<u>73,561</u>	<u>-</u>	<u>73,561</u>
Total Expenditures	<u>1,616,124</u>	<u>126,093</u>	<u>1,742,217</u>
Excess of Revenue Over Expenditures			
Before Other Financing (Uses)	<u>826,210</u>	<u>375,257</u>	<u>1,201,467</u>
<u>OTHER FINANCING (USES):</u>			
Transfer Out	<u>-</u>	<u>(368,999)</u>	<u>(368,999)</u>
Total Other Financing (Uses)	<u>-</u>	<u>(368,999)</u>	<u>(368,999)</u>
Net Change in Fund Balances	826,210	6,258	832,468
Fund Balances, Beginning of Year	<u>2,131,164</u>	<u>85,356</u>	<u>2,216,520</u>
Fund Balances, End of Year	<u>2,957,374</u>	<u>91,614</u>	<u>3,048,988</u>

- See the accompanying notes to these financial statements -

CITY OF HALLSVILLE, 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	832,468
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the net amount of capital assets purchased and sold in the current period.	73,561
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 an expenditure in the governmental fund.	(185,829)
The issuance of long-term debt provides current financial resources to governmental funds; while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however, this has no effect on net position.	103,700
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources.	259
Some property tax will not be collected for several months after the City's fiscal year end. These are not considered "available" revenues in the governmental fund until received.	(3,919)
Net change in TMRS expenditures, deferred resource inflows and outflows for the current year as required by GASB 68.	15,011
Net Change in TMRS expenditures, deferred resource outflows for the current year as required by GASB 75.	<u>(7,383)</u>
Changes in Net Position of Governmental Activities	<u>827,868</u>

- See the accompanying notes to these financial statements -

CITY OF HALLSVILLE, TEXAS

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

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Positive (Negative) Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Ad Valorem Taxes, Penalties and Interest	400,000	400,000	424,360	24,360
Sales Tax	800,000	800,000	1,091,359	291,359
Garbage Collection Fees	370,000	370,000	420,718	50,718
Utilities Franchise Taxes (Street Rentals)	95,000	95,000	101,099	6,099
Interest Income	3,000	3,000	743	(2,257)
Police Department Income	175,000	175,000	225,479	50,479
Grant Income	-	-	509	509
Building and Mobile Home Permits	40,000	55,000	140,677	85,677
Miscellaneous Fees and Revenues	<u>27,500</u>	<u>27,500</u>	<u>37,390</u>	<u>9,890</u>
Total Revenues	<u>1,910,500</u>	<u>1,925,500</u>	<u>2,442,334</u>	<u>516,834</u>
<u>EXPENDITURES:</u>				
General Government:				
Salaries, Payroll Taxes, Retirement, and Insurance	675,630	692,930	722,119	(29,189)
Repairs and Maintenance	48,000	53,000	42,912	10,088
Garbage Collection Cost	285,000	285,000	307,842	(22,842)
Utilities and Telephone	37,500	37,500	29,426	8,074
Miscellaneous Expenditures	9,000	9,000	2,249	6,751
City Hall and Election Expenditures	27,300	27,300	14,927	12,373
Office Expenditures	24,000	28,000	19,865	8,135
Insurance	26,000	26,000	22,589	3,411
Legal and Audit Fees	20,000	15,000	18,376	(3,376)
Travel and Seminars	24,000	20,000	18,970	1,030
Tax Appraisal and Collection	20,000	20,000	17,388	2,612
Public Safety - Police	312,200	304,900	169,997	134,903
Street Maintenance	300,000	300,000	155,903	144,097
Capital Outlay	<u>155,000</u>	<u>155,000</u>	<u>73,561</u>	<u>81,439</u>
Total Expenditures	<u>1,963,630</u>	<u>1,973,630</u>	<u>1,616,124</u>	<u>357,506</u>
Net Change in Fund Balance	(53,130)	(48,130)	826,210	874,340
Fund Balance, Beginning of Year	<u>2,131,164</u>	<u>2,131,164</u>	<u>2,131,164</u>	-
Fund Balance, End of Year	<u>2,078,034</u>	<u>2,083,034</u>	<u>2,957,374</u>	<u>874,340</u>

- See the accompanying notes to these financial statements -

CITY OF HALLSVILLE, TEXAS

**PROPRIETARY FUND
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

**BUSINESS - TYPE ACTIVITIES
Enterprise Fund**

ASSETS

Current Assets:

Cash on Hand and in Bank	747,046
Temporary Investments	784,855
Accounts Receivable (Net of Reserve for Uncollectible Accounts of \$11,247)	169,372
Due From Other Funds	<u>122,189</u>
Total Current Assets	<u>1,823,462</u>

Restricted Assets:

Cash on Hand and in Bank	213,949
Temporary Investments	1,060,020
Investments - Time Certificates of Deposit	<u>42,796</u>
Total Restricted Assets	<u>1,316,765</u>

Capital Assets:

Construction in Progress	906,800
Land	241,504
Water and Sewer System	12,145,974
Equipment	868,146
Less Accumulated Depreciation	<u>(6,403,310)</u>
Total Capital Assets	<u>7,759,114</u>
TOTAL ASSETS	<u>10,899,341</u>

LIABILITIES

Current Liabilities:

Accounts Payable	93,804
Accrued Interest Payable	21,270
Bonds Payable - Current	<u>198,250</u>
Total Current Liabilities	<u>313,324</u>

Liabilities Payable From Restricted Assets:

Customer Deposits	164,594
Unearned Grant Funds	<u>532,244</u>
Total Liabilities Payable From Restricted Assets	<u>696,838</u>

Noncurrent Liabilities:

Bonds Payable	<u>4,618,750</u>
Total Noncurrent Liabilities	<u>4,618,750</u>
TOTAL LIABILITIES	<u>5,628,912</u>

NET POSITION

Invested in Capital Assets, Net of Related Debt	2,942,114
Unrestricted	<u>2,328,315</u>
TOTAL NET POSITION	<u>5,270,429</u>

- See the accompanying notes to these financial statements -

CITY OF HALLSVILLE, TEXAS

PROPRIETARY FUND

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

BUSINESS - TYPE ACTIVITIES

Enterprise Fund

**Water &
Sewer
Fund**

OPERATING REVENUES:

Water and Sewer Revenues, Including Penalties	1,701,648
Meter and Tap Fees	6,900
Connection Fees	7,423
Other Revenues	<u>24,306</u>
Total Operating Revenues	<u>1,740,277</u>

OPERATING EXPENSES:

Salaries	407,034
Payroll Taxes	31,100
TMRS Retirement	12,422
Truck and Auto Allowance	17,097
Repairs and Maintenance	92,183
Insurance	100,679
Legal and Audit Fees	9,903
Office Expense	23,231
Miscellaneous Expense	19,750
Materials and Supplies	47,397
Water Purchased - City of Longview	437,321
Engineering and Contract Services	22,082
Permits and Fees	17,880
Utilities and Telephone	84,231
Depreciation	<u>327,515</u>
Total Operating Expenses	<u>1,649,825</u>

Operating Income (Loss) 90,452

NON-OPERATING REVENUES (EXPENSES):

Interest Income	1,216
Interest Expense	<u>(172,382)</u>
Total Non-Operating Revenues (Expenses)	<u>(171,166)</u>

Income (Loss) before Transfers (80,714)

Transfers In 368,999

Change in Net Position 288,285

Net Position at Beginning of Year 4,982,144

Net Position at End of Year 5,270,429

- See the accompanying notes to these financial statements -

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**BUSINESS - TYPE ACTIVITIES
Enterprise Fund**

**Water &
Sewer
Fund**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Receipts From Customers	2,276,650
Cash Payments to Suppliers for Goods and Services	(841,230)
Cash Payments to Employees for Services and Benefits	<u>(450,556)</u>
Net Cash Provided by Operating Activities	<u>984,864</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and Construction of Capital Assets	(1,033,998)
Transfer in From Debt Service Fund	368,999
Interest Paid on Debt	(172,699)
Retirement of Debt	<u>(196,300)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,033,998)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Investments	(42,796)
Proceeds From Sale and Maturities of Investments and Assets	42,629
Interest on Cash and Investments	<u>1,216</u>
Net Cash Provided By Investing Activities	<u>1,049</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS	(48,085)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,853,955</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>2,805,870</u>

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**BUSINESS - TYPE ACTIVITIES
Enterprise Fund**

**Water &
Sewer
Fund**

CONTINUED:

**RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income (Loss) From Operations	90,452
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided (Used) by Operating Activities:	
Depreciation	327,515
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivables	(11,989)
(Increase) Decrease in Due From Other Funds	(921)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	560,321
Increase (Decrease) in Deposits	<u>19,486</u>
Net Cash Provided by Operating Activities	<u>984,864</u>

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS:

Current Assets - Cash on Hand and in Bank	747,046
Temporary Investments	784,855
Restricted Cash on Hand and in Bank	213,949
Restricted Temporary Investments	<u>1,060,020</u>
Total Cash and Cash Equivalents	<u>2,805,870</u>

CITY OF HALLSVILLE, TEXAS

***NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021***

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

The City of Hallsville is an incorporated municipality. The City operates under a City Administrator - Council form of government and provides the following services authorized by its charter: public safety, public improvements, highway and streets, and water and sewer.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting practices generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Pensions. The fiduciary net position of the Texas Municipal Retirement System (TMRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TMRS's fiduciary net position. 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.

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

Other more significant accounting and reporting policies and practices used by the City are described below.

Basis of Presentation:

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the City. 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, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES: *(Continued)*

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 particular 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 in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental Funds:

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 balance of current financial resources. The City has presented the following major governmental fund:

General Fund:

The General Fund is the main 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 this fund.

Additionally, the City reports the following governmental fund type:

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest, and related costs. The fund balance of the debt service fund is reserved to signify the amounts that are restricted exclusively for debt service.

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES: *(Continued)*

Proprietary Funds:

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary fund:

Water and Sewer Fund:

Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the water and sewer system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Measurement Focus/Basis of Accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues 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 and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is 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 collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual that are associated with the current fiscal year are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. All other governmental fund revenues are recognized when received.

CITY OF HALLSVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES: *(Continued)*

Budgetary Control:

The City Administrator submits an annual budget to the City Council and the City Council adopts annual fiscal year budgets for City operating funds (General Fund) and for Proprietary Fund Operations (Water and Sewer Enterprise Fund). Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures. There were several amendments made to the budgets during the year. The City adopted the budgets on a September 30 fiscal year for the 20-21 year.

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund presents a comparison of budgetary data to actual results for the year ended September 30, 2021. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

The Water and Sewer Fund - Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual also presents a comparison of budgetary data to actual results for the year ended.

Interfund Receivables and Payables:

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Transactions Between Funds:

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments:

Investments are stated at cost or amortized cost, which is equivalent to market value.

Restricted Assets:

The assets consist of cash and short-term investments restricted for water and sewer construction and customer meter deposits.

Capital Assets:

Capital assets, which includes property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

CITY OF HALLSVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES: *(Continued)*

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 Years
Water and Sewer Systems	50 Years
Machinery and Equipment	5-10 Years
Improvements	20 Years
Infrastructure	20-40 Years

Bond Issuance Costs:

Bond issuance costs in governmental funds and enterprise funds are expensed in the year that the bonds are issued.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Revenue Recognition - Property Taxes:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent July 1 of the following year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are recorded as unavailable revenue - property taxes.

Net Position:

Net Position represents the residual of assets plus deferred outflows less liabilities plus deferred inflows. Net position invested in capital assets, net of related debt consists 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 its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES: *(Continued)*

In the governmental funds financial statements, fund balances are classified into various categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

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

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

The Council shall approve all commitments by formal action. The action to commit funds must occur prior to fiscal year-end in order to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. A commitment can only be modified or removed by the same formal action.

When it is appropriate for fund balance to be assigned, the Council delegates the responsibility to assign funds to the City Administrator or his designee. Assignments may occur subsequent to fiscal year-end.

The Council will utilize the funds in the following order:

- o Restricted
- o Committed
- o Assigned
- o Unassigned

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF HALLSVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS:

Legal and Contractual Provisions Governing Deposits and Investments

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

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

1. **Custodial Credit Risk For Deposits** - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy regarding types of deposits allowed and collateral requirements is:

The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The City is exposed to custodial credit risk for its deposits as follows:

At September 30, 2021, the carrying amount of the City's deposits (cash, petty cash, interest-bearing checking accounts, non-interest bearing checking accounts, money market accounts, and certificates of deposit) was \$2,490,887 and the bank balances were \$3,139,854. The City's cash deposits at September 30, 2021, and during the year were entirely covered by FDIC insurance or by pledged collateral held by the pledging financial institution's agent in the City's name. The certificates of deposit total \$115,236 and are classified as current investments for report purposes. The certificates of deposit mature within a year.

At September 30, 2021, the City had \$475,401 of deposits, which were fully insured by the FDIC. The remaining deposit balances at the bank totaled \$2,664,453 and were collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2 - DEPOSITS AND INVESTMENTS: *(Continued)*

2. Custodial Credit Risk For Investments - This is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

At September 30, 2021, the City was not exposed to custodial credit risk. The City only had investments in certificates of deposit and a state investment pool of which both are carried in the City's name.

3. Interest Rate Risk - Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise.

According to City policy, investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flows of the City and conforming to all applicable state and City statutes governing the investment of public funds. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. The City was not subject to interest rate risk during the year ended September 30, 2021. As mentioned previously, the City had investments in certificates of deposit and a state investment pool.

4. Credit Risk and Concentration Risk - The City's main goal of their investment program is to ensure its safety and maximize financial returns within current market conditions in accordance with policy. The City's investment policy states that diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

U.S. Treasuries and securities with the U.S. Government's guarantee	100%
U.S. Government agencies and instrumentalities	not to exceed 50%
Fully insured or collateralized CD's	100%
Money Market Funds	
Operating Funds	not to exceed 50%
Bond Funds	80%
Local Government Investment Pools (Constant dollar)	100%

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investment with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement, the Investment Officer may not invest more than 20% of the portfolio for a period greater than one (1) year. Unless matched to a specific requirement, the Investment Officer may not invest any portion of the portfolio for a period greater than one (1) year.

5. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end and during the year, the City was not exposed to foreign currency risk.

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2 - DEPOSITS AND INVESTMENTS: (Continued)

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

<u>Investment Type</u>	<u>Rating</u>	<u>Concentration Of Credit Risk</u>	<u>Investment Maturities (Callable) (In Years) Market Value</u>	<u>Less Than 1</u>	<u>1-5</u>
State Investment Pool:					
Texas Local Government Investment Pool (Tex Pool) (2a7-Like Pool)	AAAm (S&P)	<u>100%</u>	<u>3,446,776</u>	<u>3,446,776</u>	<u>-</u>

The City investment pool is 2a7-like pool. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

TexPool 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 and maintains a weighted average maturity of 60 days or less, with a maximum weighted average maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools. TexPool uses amortized cost, which in most cases approximates the market value of securities to compute share prices. It also operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

Time certificates of deposit include restricted, assigned, and unrestricted investments. Time certificates of deposit of the various funds at September 30, 2021 in the amount of \$115,236 are detailed as follows:

<u>ISSUING BANK</u>	<u>CERTIFICATE NUMBER</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>AMOUNT</u>	
<u>Restricted Funds:</u>					
Water and Sewer Fund - Guaranty Bank & Trust Hallsville, TX	6306721	0.40%	10/9/21	<u>42,796</u>	42,796
<u>Assigned Funds:</u>					
General Fund - Guaranty Bank & Trust Hallsville, TX	6307361	0.40%	10/9/21	<u>72,440</u>	<u>72,440</u>
Total Certificates of Deposit					<u>115,236</u>

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 3 - TAXES ASSESSED AND DELINQUENT TAXES:

Taxes assessed for the years 2017 through 2020 and delinquent taxes as of September 30, 2021, are detailed as follows:

COMPARISON OF ASSESSED VALUATIONS FOR THE YEARS 2017 - 2020

	<u>TAX ASSESSMENTS</u>			
	<u>YEAR 2017</u>	<u>YEAR 2018</u>	<u>YEAR 2019</u>	<u>YEAR 2020</u>
Total Assessed Valuation	218,274,001	238,097,594	240,105,496	252,715,925
Rate per \$100 Valuation	<u>.39189</u>	<u>.376008</u>	<u>.371767</u>	<u>.362731</u>
Total Taxes Assessed	<u>855,394</u>	<u>895,266</u>	<u>892,633</u>	<u>916,679</u>

**DELINQUENT TAXES RECEIVABLE
AT SEPTEMBER 30, 2021**

2019 and Prior Taxes Receivable	25,587
2020 Uncollected Taxes	<u>7,704</u>
Total Uncollected Taxes - September 30, 2021	33,291
Less: Reserve for Uncollectible Taxes	<u>(19,190)</u>
Net Delinquent Taxes Receivable	<u>14,101</u>

A reserve for uncollectible taxes in the amount of \$19,190 at September 30, 2021, represents 75% of delinquent taxes receivable at September 30, 2021.

CITY OF HALLSVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4 - CAPITAL ASSETS:

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

	September 30,			September 30,
	<u>2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>2021</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	76,892	-	-	76,892
Construction in Progress	<u>6,539</u>	-	-	<u>6,539</u>
Total Capital Assets Not Being Depreciated	<u>83,431</u>	-	-	<u>83,431</u>
Capital Assets Being Depreciated:				
Buildings	454,201	-	-	454,201
Equipment	1,067,031	70,694	-	1,137,725
Improvements	179,066	2,867	-	181,933
Infrastructure	<u>2,920,463</u>	-	-	<u>2,920,463</u>
Total Capital Assets, Being Depreciated	<u>4,620,761</u>	<u>73,561</u>	-	<u>4,694,322</u>
Less Accumulated Depreciation For:				
Buildings	170,566	11,056	-	181,622
Equipment	820,599	67,924	-	888,523
Improvements	144,504	13,202	-	157,706
Infrastructure	<u>546,351</u>	<u>93,647</u>	-	<u>639,998</u>
Total Accumulated Depreciation	<u>1,682,020</u>	<u>185,829</u>	-	<u>1,867,849</u>
Total Capital Assets, Being Depreciated, Net	<u>2,938,741</u>	<u>(112,268)</u>	-	<u>2,826,473</u>
Governmental Activities Capital Assets, Net	<u>3,022,172</u>	<u>(112,268)</u>	-	<u>2,909,904</u>
 <u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	180,720	60,784	-	241,504
Construction in Progress	<u>102,800</u>	<u>804,000</u>	-	<u>906,800</u>
Total Capital Assets Not Being Depreciated	<u>283,520</u>	<u>864,784</u>	-	<u>1,148,304</u>
Capital Assets Being Depreciated:				
Water and Sewer System	12,021,133	124,841	-	12,145,974
Equipment	<u>823,773</u>	<u>44,373</u>	-	<u>868,146</u>
Total Capital Assets, Being Depreciated	<u>12,844,906</u>	<u>169,214</u>	-	<u>13,014,120</u>
Less Accumulated Depreciation For:				
Water and Sewer System	5,384,797	292,689	-	5,677,486
Equipment	<u>690,998</u>	<u>34,826</u>	-	<u>725,824</u>
Total Accumulated Depreciation	<u>6,075,795</u>	<u>327,515</u>	-	<u>6,403,310</u>
Total Capital Assets, Being Depreciated, Net	<u>6,769,111</u>	<u>(158,301)</u>	-	<u>6,610,810</u>
Business-Type Activities Capital Assets, Net	<u>7,052,631</u>	<u>706,483</u>	-	<u>7,759,114</u>

CITY OF HALLSVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4 - CAPITAL ASSETS: (Continued)

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

<u>Governmental Activities:</u>	
General Government and Public Safety	<u>185,829</u>
Total Depreciation Expense - Governmental Activities	<u>185,829</u>
<u>Business-Type Activities:</u>	
Water and Sewer	<u>327,515</u>
Total Depreciation Expense - Business-Type Activities	<u>327,515</u>

NOTE 5 - BONDS PAYABLE - WATER & SEWER ENTERPRISE FUND:

On February 18, 2014, the City issued \$2,865,000 General Obligation Refunding Bonds, Series 2014, to refund a portion of the City of Hallsville, Texas, Tax and Waterworks and Sewer System Revenue Certificates of Obligations, Series 2008, and the City of Hallsville Waterworks and Sewer System Subordinate Lien Revenue Bonds, Series 1998. \$1,117,350 of the proceeds (39%) of issuance are to be used for the purpose of refunding the 2014 through 2019 maturities of the City's currently outstanding Waterworks and Sewer System Subordinate Lien Revenue Bonds, Series 1998. This portion of the proceeds is accounted for in the Water and Sewer Fund. The remaining \$1,747,650 (61%) of the Refunding Bonds is being used to refund the Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2008, that is accounted for in the governmental activities. (See Note 6) The General Obligation Bonds are secured by the City's limited ad valorem tax levy.

The proceeds from the refunded existing bond maturities and interest thereon were placed with an escrow agent. The escrowed funds, together with investment earnings thereon, will be sufficient to discharge the Refunded Bonds. Under the escrow agreement, the Escrow Fund is irrevocably pledged to the payment of principal and interest of the Refunding Bonds. Accordingly, pursuant to the terms of the ordinance authorizing the issuance of the refunded bonds and in accordance with Texas Law, the refunded bonds are deemed to be no longer outstanding obligations payable from the General Obligation Debt Service or for any other purpose except for the purpose of being paid from the funds held in such Escrow Fund. On September 30, 2021, \$718,000 of the bonds considered defeased are still outstanding.

The City also issued \$5,050,000 Combination Tax and Revenue Certificates of Obligation, Series 2014, to fund water and sewer infrastructure improvements. The Certificates of Obligation are secured by the same ad valorem tax levy in addition to surplus water and sewer revenue.

Schedule of Refunded Bonds

	<u>Dates of Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2008	August 1, 2014-2028	4.573%	<u>718,000</u>
	Total		<u>718,000</u>

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 5 - BONDS PAYABLE - WATER & SEWER ENTERPRISE FUND: (Continued)

A schedule of the bonded indebtedness of the City of Hallsville as of September 30, 2021, is as follows:

CITY OF HALLSVILLE, TEXAS GENERAL OBLIGATION

REFUNDING BONDS:

Series 2014, Dated January 21, 2014 - 1.25% - 3.00% Interest Rate Maturing Serially 2014 through 2021		
Total Bonds Issued (39%)	1,117,350	
Less: Bonds Retired	<u>(610,350)</u>	
Balance Outstanding, September 30, 2021		507,000

**CITY OF HALLSVILLE, TEXAS COMBINATION TAX AND
REVENUE CERTIFICATES OF OBLIGATION BONDS:**

Series 2014, Dated January 21, 2014 - 2.00% - 2.50% Interest Rate Maturing Serially 2016 through 2024		
Total Bonds Issued	5,050,000	
Less: Bonds Retired	<u>(740,000)</u>	
Balance Outstanding, September 30, 2021		<u>4,310,000</u>

Total Bonded Indebtedness		4,817,000
Less: Amount Classified Current Portion		<u>(198,250)</u>

Bonds Payable - Net of Current Portion 4,618,750

The annual requirements to retire City of Hallsville, Texas General Obligation Refunding Bonds, Series 2014, as of September 30, 2021, are as follows:

<u>FISCAL YEAR</u>	<u>RATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2022	2.000%	68,250	12,929	81,179
2023	2.250%	68,250	11,564	79,814
2024	2.500%	70,200	10,028	80,228
2025	2.500%	72,150	8,273	80,423
2026	2.750%	74,100	6,469	80,569
2027 - 2028	2.750% - 3.000%	<u>154,050</u>	<u>6,771</u>	<u>160,821</u>
Total		<u>507,000</u>	<u>56,034</u>	<u>563,034</u>

CITY OF HALLSVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5 - BONDS PAYABLE - WATER & SEWER ENTERPRISE FUND: (Continued)

The annual requirements to retire City of Hallsville, Texas Combination Tax and Revenue Certificates of Obligation, Series 2014, as of September 30, 2021, are as follows:

<u>FISCAL YEAR</u>	<u>RATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2022	2.250%	130,000	155,844	285,844
2023	2.500%	135,000	152,919	287,919
2024	2.500%	135,000	149,544	284,544
2025	3.000%	140,000	146,169	286,169
2026	3.000%	145,000	141,969	286,969
2027 - 2031	2.500% - 3.250%	1,430,000	616,206	2,046,206
2032 - 2036	3.250% - 4.000%	<u>2,195,000</u>	<u>270,400</u>	<u>2,465,400</u>
Total		<u>4,310,000</u>	<u>1,633,051</u>	<u>5,943,051</u>

NOTE 6 - BONDS PAYABLE - GOVERNMENTAL ACTIVITIES:

A schedule of bonded indebtedness of the City of Hallsville as of September 30, 2021, is as follows:

City of Hallsville, Texas General Obligation Refunding Bonds:

Series 2014, Dated January 21, 2015 - 1.250% - 3.000% Interest Rate

Maturing Serially 2014 through 2021

Total Bonds Issued (61%) (See Note 5)

1,747,650

Less: Bonds Retired

(954,650)

Balance Outstanding, September 30, 2021

793,000

Less: Amount Classified Current Portion

(106,750)

Bonds Payable - Net of Current Portion

686,250

The schedule of annual requirements to retire City of Hallsville, Texas General Obligation Refunding Bonds, Series 2014, as of September 30, 2021, is as follows:

<u>FISCAL YEAR</u>	<u>RATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2022	2.000%	106,750	20,221	126,971
2023	2.250%	106,750	18,087	124,837
2024	2.500%	109,800	15,685	125,485
2025	2.500%	112,850	12,940	125,790
2026	2.750%	115,900	10,118	126,018
2027 - 2028	2.750% - 3.000%	<u>240,950</u>	<u>10,590</u>	<u>251,540</u>
Total		<u>793,000</u>	<u>87,641</u>	<u>880,641</u>

CITY OF HALLSVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 - COMMITMENTS UNDER OPERATING LEASE:

The City has entered into a non-cancelable operating lease. Commitments under this operating (noncapitalized) lease agreement for copiers provide for minimum future rental payments. The future rental payments as of September 30, 2021 are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2022	9,444
2023	<u>7,870</u>
 Total Minimum Payments Required	 <u>17,314</u>
 Rental Expenditures in Fiscal Year 2021	 <u>10,506</u>

NOTE 8 - CHANGES IN LONG-TERM LIABILITIES:

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Interest</u> <u>Current</u> <u>Year</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:						
General Obligation Refunding Bonds	<u>896,700</u>	-	(103,700)	<u>793,000</u>	<u>22,295</u>	<u>106,750</u>
Total Governmental Activities	<u>896,700</u>	-	(103,700)	<u>793,000</u>	<u>22,295</u>	<u>106,750</u>
Business-Type Activities:						
General Obligation Refunding Bonds	573,300	-	(66,300)	507,000	14,255	68,250
Combination Tax and Revenue						
Certificates of Obligation Bonds	<u>4,440,000</u>	-	(130,000)	<u>4,310,000</u>	<u>158,444</u>	<u>130,000</u>
Total Business-Type Activities	<u>5,013,300</u>	-	(196,300)	<u>4,817,000</u>	<u>172,699</u>	<u>198,250</u>
Total Government	<u>5,910,000</u>	-	(300,000)	<u>5,610,000</u>	<u>194,994</u>	<u>305,000</u>

CITY OF HALLSVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9 - INSURANCE IN FORCE AND BOND COVERAGE:

Insurance in force and bond coverage as of September 30, 2021, is detailed as follows:

<u>TYPE OF COVERAGE</u>	<u>AMOUNT OF COVERAGE</u>	<u>CURRENT POLICY PERIOD</u>
Fire, Lightning & Extended Coverage - Sewer Plants and Pump Stations	5,171,295 - Building 25,000 - Contents	
City Hall & City Park	727,190 - Building 78,000 - Contents	10/01/20-21
Police Station	295,702 - Building 100,000 - Contents	10/01/20-21
Surety - Fidelity Coverage Blanket Bond - City Secretary, Police Secretary, Clerks	100,000	05/01/21-22
Standard Workmen's Compensation & Employer's Liability Policy	Unlimited/Based Upon WC Laws of State of Texas	10/01/20-21
Automobile Policy	500,000 1,000 Deductible	10/01/20-21
Mobile Equipment	128,096 1,000 Deductible	10/01/20-21
Waterworks Pumphouse 201 Walnut Street	99,122 - Building	10/01/20-21
General Liability	1,000,000/2 MM -0- Deductible	10/01/20-21
Errors and Omissions	500,000/1 MM 2,500 Deductible	10/01/20-21
Law Enforcement Liability	500,000/1 MM 2,500 Deductible	10/01/20-21
Boiler & Machinery	100,000 Per Accident Limit 1,000 Deductible	10/01/20-21
Cyber Liability & Data Breach Response	25,000/1,000,000	10/01/20-21

CITY OF HALLSVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 - PENSION PLAN:

Texas Municipal Retirement System –

TMRS Plan Description:

The City of Hallsville participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided:

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

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

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

	<u>Plan Year 2019</u>	<u>Plan Year 2020</u>
Employee deposit rate	5%	5%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	20 years at any age, 5 years at age 60 and above	20 years at any age, 5 years at age 60 and above
Updated service credit	0 Repeating, Transfers	0 Repeating, Transfers
Annuity increase (to retirees)	0 of CPI Repeating	0 of CPI Repeating

CITY OF HALLSVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 - PENSION PLAN: (Continued)

Employees Covered by Benefit Terms:

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

	<u>12/31/2019</u>	<u>12/31/2020</u>
Inactive employees or beneficiaries currently receiving benefits	4	5
Inactive employees entitled to but not yet receiving benefits	14	11
Active employees	<u>19</u>	<u>19</u>
	<u>37</u>	<u>35</u>

Contributions:

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

Employees for the City of Hallsville were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Hallsville were 3.16% and 3.00% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$28,056, and satisfied the required contributions.

Net Pension Liability:

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

Actuarial assumptions:

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

- Inflation at 2.50% per year
- Overall payroll growth at 2.15% per year
- Investment Rate of Return at 6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-district 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are 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.

CITY OF HALLSVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 - PENSION PLAN: *(Continued)*

Net Pension Liability: *(Continued)*

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	<u>10.0%</u>	7.75%
	<u>100.0%</u>	

Discount Rate:

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

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 10 - PENSION PLAN: (Continued)

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (Liability) (b)-(a)
Balance at December 31, 2019	738,061	605,036	(133,025)
Changes for the year:			
Service Cost	60,327	-	(60,327)
Interest	50,616	-	(50,616)
Difference between expected and actual experience	(3,609)	-	3,609
Contributions - employer	-	26,461	26,461
Contributions - employee	-	45,155	45,155
Net investment income	-	45,935	45,935
Benefit payments, including refunds of employee Contributions	(36,702)	(36,702)	-
Administrative expense	-	(297)	(297)
Other changes	-	(11)	(11)
Net changes	<u>70,632</u>	<u>80,541</u>	<u>9,909</u>
Balance at December 31, 2020	<u>808,693</u>	<u>685,577</u>	<u>(123,116)</u>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	<u>229,355</u>	<u>123,116</u>	<u>35,501</u>

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

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 10 - PENSION PLAN: (Continued)

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 \$26,319.

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual economic experience	86	11,885
Contributions paid to TMRS subsequent to the measurement date	20,125	-
Differences between projected and actual investment earnings	-	17,062
Changes in assumptions	-	<u>1,638</u>
Total	<u>20,211</u>	<u>30,585</u>

\$20,125 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021.

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

	<u>Net Deferred Outflows (Inflows) of Resources</u>
2021	(14,381)
2022	(3,743)
2023	(11,258)
2024	(1,117)
Thereafter	<u>-</u>
Total	<u>(30,499)</u>

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 11 – POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND:

Plan Description:

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

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

Benefits Provided:

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

Employees Covered by Benefit Terms:

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

	<u>12/31/20</u>
Inactive employees currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>19</u>
	<u>27</u>

Contributions:

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

As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 11 – POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND:
(Continued)

For the calendar years 2021 and 2020, the total SDB contributions rate for the City was 0.20% and 0.23%, respectively, while the retiree portion of the SDB contribution was 0.05% for 2021 and 0.02% for 2020. The City’s contributions for the years ended September 30, 2021 and 2020, were \$186 and \$234, respectively, for the retiree portion, and \$1,860 and \$1,857, respectively, for the total SDB rate. Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer’s yearly contributions for retirees.

Total OPEB Liability:

The City’s total OPEB liability was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall	3.50% to 11.50% including inflation
Discount rate *	2.00%
Retiree’s 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	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a three year set-forward for both males and females. The rates are projected on a full generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index’s “20-Year Municipal GOAA Index” rate as of December 31, 2020.

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 11 – POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND:
(Continued)

Total OPEB Liability: *(Continued)*

The actuarial cost method being used is known as the Entry Age Normal Method. This method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation through their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the City. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four period from December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at December 31, 2019	39,567
Changes for the year	
Service cost	5,148
Interest	1,156
Change of benefit terms	-
Difference between expected and actual experience	1,154
Changes of assumptions or other inputs	8,126
Benefit payments	<u>(181)</u>
Net changes	<u>15,403</u>
Balance at December 31, 2020	<u>54,970</u>

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 11 – POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND:
(Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	<u>1% Decrease in Discount Rate (1.00%)</u>	<u>Discount Rate (2.00%)</u>	<u>1% Increase In Discount Rate (3.00%)</u>
Total OPEB Liability	<u>69,294</u>	<u>54,970</u>	<u>44,541</u>

OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2021, the City recognized OPEB expense of \$1,924.

Components of OPEB Expense

Service Cost	5,148
Interest on total OPEB liability	1,156
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(1,637)
Changes in assumptions or other inputs	<u>2,926</u>
Total OPEB expense	<u>7,593</u>

Deferred Outflows of Resources and Deferred Inflows of Resources to be Recognized in OPEB Expense in Future Years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	-	5,678
Changes in actuarial assumptions	12,816	-
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>1,438</u>	<u>-</u>
Total	<u>14,254</u>	<u>5,678</u>

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 11 – POST-EMPLOYMENT BENEFITS (OPEB) - TMRS SUPPLEMENTAL DEATH BENEFITS FUND:
(Continued)

The City had \$1,438 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>Deferred (Inflow) Outflow of Resources</u>
2021	1,289
2022	1,289
2023	968
2024	1,966
2025	1,626
Thereafter	-
Total	<u>7,138</u>

NOTE 12 - CONTINGENT LIABILITIES:

The City participates in Federally assisted grant programs. These programs are subject to audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although such amounts, if any, are expected to be immaterial.

NOTE 13 - LITIGATION:

The City is party to various legal proceedings which normally occur in governmental operations. In the opinion of City Management, none of these would have a material or adverse impact on the Financial Statements.

NOTE 14 - COMMITMENTS:

The City has entered into various contracts for improvements and extensions to the sewer system, water supply and treatment facilities. Funds for these contracts will be provided by the bond issue.

NOTE 15 - UNCERTAINTY:

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and it currently is affecting many parts of the world, including the United States and Texas. The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City’s operations and financial condition.

As of September 30, 2021, the City received \$532,244 in Coronavirus Local Fiscal Recovery Funds as part of the American Rescue Plan Act of 2021. These funds provide funding to local governments to help respond to the COVID-19 public health emergency or make infrastructure improvements. As of September 30, 2021, these funds were not spent and are considered unearned revenues in the Water and Sewer Fund.

CITY OF HALLSVILLE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 16 - SUBSEQUENT EVENTS:

The City has evaluated subsequent events through May 31, 2023, the date which the financial statements were available for issue.

CITY OF HALLSVILLE, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Total Pension Liability</u>				
Service Cost	45,578	54,107	58,017	60,327
Interest (on the Total Pension Liability)	41,979	45,260	47,248	50,616
Changes in benefit terms	-	-	-	-
Difference between expected and actual results	1,186	(19,433)	(7,927)	(3,609)
Change of assumptions	-	-	(3,154)	-
Benefit payments, including refunds of employee contributions	<u>(38,090)</u>	<u>(50,713)</u>	<u>(54,160)</u>	<u>(36,702)</u>
Net Change in Total Pension Liability	50,653	29,221	40,024	70,632
Total Pension Liability - Beginning	<u>618,163</u>	<u>668,816</u>	<u>698,037</u>	<u>738,061</u>
Total Pension Liability - Ending (a)	<u>668,816</u>	<u>698,037</u>	<u>738,061</u>	<u>808,693</u>
<u>Plan Fiduciary Net Position</u>				
Contributions - Employer	22,010	24,669	25,804	26,461
Contributions - Employee	35,386	41,115	42,723	45,155
Net Investment Income	60,087	(15,362)	79,226	45,935
Benefit payments, including refunds of employee contributions	<u>(38,090)</u>	<u>(50,713)</u>	<u>(54,160)</u>	<u>(36,702)</u>
Administrative Expense	(311)	(297)	(448)	(297)
Other	<u>(16)</u>	<u>(16)</u>	<u>(13)</u>	<u>(11)</u>
Net Change in Plan Fiduciary Net Position	79,066	(604)	93,132	80,541
Plan Fiduciary Net Position - Beginning	<u>433,442</u>	<u>512,508</u>	<u>511,904</u>	<u>605,036</u>
Plan Fiduciary Net Position - Ending (b)	<u>512,508</u>	<u>511,904</u>	<u>605,036</u>	<u>685,577</u>
Net Pension Liability (Asset) - Ending (a)-(b)	<u>156,308</u>	<u>186,133</u>	<u>133,025</u>	<u>123,116</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.63%	73.33%	81.98%	84.78%
Covered Employee Payroll	707,728	822,296	854,452	903,103
Net Pension Liability as a Percentage of Covered Employee Payroll	22.09%	22.64%	15.57%	13.63%

CITY OF HALLSVILLE, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	25,299	27,425	29,247	28,242
Contribution in relation to the actuarially determined contributions	<u>25,299</u>	<u>27,425</u>	<u>29,247</u>	<u>28,242</u>
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employee payroll	707,728	854,452	903,103	930,138
Contributions as a percentage of covered employee payroll	3.57%	3.21%	3.23%	3.03%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: Actuarially determined contribution rates 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 marked; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information:	There were no benefit changes during the year.

CITY OF HALLSVILLE, TEXAS

***SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
SUPPLEMENTAL DEATH BENEFITS PLAN
FISCAL YEAR ENDED SEPTEMBER 30, 2021***

	Measurement Year <u>2017</u>	Measurement Year <u>2018</u>	Measurement Year <u>2019</u>	Measurement Year <u>2020</u>
Total OPEB Liability				
Service Cost	2,760	3,536	3,930	5,148
Interest	1,131	1,219	1,149	1,156
Changes of Benefit Terms	-	-	-	-
Difference Between Expected and Actual Experience	-	(8,006)	(3,566)	1,154
Changes of Assumptions	2,948	(2,470)	9,218	8,126
Benefit Payments	<u>(283)</u>	<u>(329)</u>	<u>(342)</u>	<u>(181)</u>
Net Change in Total OPEB Liability	6,556	(6,050)	10,389	15,403
Total OPEB liability - Beginning	<u>28,672</u>	<u>35,228</u>	<u>29,178</u>	<u>39,567</u>
Total OPEB liability - Ending	<u>35,228</u>	<u>29,178</u>	<u>39,567</u>	<u>54,970</u>
Covered employee payroll	707,728	847,198	920,133	903,103
Total OPEB liability as a percentage of covered employee payroll	4.98%	3.44%	4.30%	6.09%

NOTES TO SCHEDULE

Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Until a full 10-year trend is completed, we will present information for those years for which information is available.

No assets are accumulated in a trust for the supplemental death benefits plan to pay related benefits that meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.00% (Based on Fidelity Index's 20-year Municipal GO AA Index)
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 full generational basis with scale UMP.
Mortality rates - disables retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

CITY OF HALLSVILLE, TEXAS

WATER AND SEWER FUND

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>(Negative)</u>
			<u>Basis</u>	<u>Variance with</u>
				<u>Final Budget</u>
<u>BUDGETED OPERATING REVENUES:</u>				
Water and Sewer Revenues, Including Penalties	1,444,500	1,444,500	1,701,648	257,148
Meter and Tap Fees	4,000	4,000	6,900	2,900
Connection Fees	4,500	4,500	7,423	2,923
Other Revenues	5,950	5,950	24,306	18,356
Total Budgeted Operating Revenues	1,458,950	1,458,950	1,740,277	281,327
<u>BUDGETED OPERATING EXPENSES:</u>				
Salaries	429,570	429,570	407,034	22,536
Payroll Taxes	33,600	33,600	31,100	2,500
TMRS Retirement	14,150	14,150	12,422	1,728
Truck and Auto Allowance	20,000	20,000	17,097	2,903
Repairs and Maintenance	199,500	205,500	92,183	113,317
Insurance	111,050	111,050	100,679	10,371
Legal and Audit Fees	8,000	8,000	9,903	(1,903)
Office Expense	29,000	29,000	23,231	5,769
Miscellaneous Expense	27,000	26,000	19,750	6,250
Materials and Supplies	70,000	70,000	47,397	22,603
Water Purchased - City of Longview	385,000	385,000	437,321	(52,321)
Engineering and Contract Services	27,000	27,000	22,082	4,918
Permits and Fees	36,500	36,500	17,880	18,620
Utilities and Telephone	103,000	103,000	84,231	18,769
Depreciation	-	-	327,515	(327,515)
Total Budgeted Operating Expenses	1,493,370	1,498,370	1,649,825	(151,455)
Budgeted Operating Income (Loss)	(34,420)	(39,420)	90,452	129,872
<u>BUDGETED NON-OPERATING REVENUES (EXPENSES):</u>				
Interest Income	4,000	4,000	1,216	(2,784)
Interest Expense	-	-	(172,382)	(172,382)
Transfers In	-	-	368,999	368,999
Total Budgeted Non-Operating Revenues (Expenses)	4,000	4,000	197,833	193,833
Budgeted Excess of Revenues Over (Under) Expenses	(30,420)	(35,420)	288,285	323,705
<u>ADDITIONAL BUDGETED (EXPENSE) AMOUNTS:</u>				
Capital Outlay	(84,000)	(120,000)	(1,033,998)	(913,998)
Debt Principal	-	-	(196,300)	(196,300)
Additional Budgeted (Expense) Amounts	(84,000)	(120,000)	(1,230,298)	(1,110,298)
GRAND TOTAL BUDGETED NET INCOME (LOSS)	(114,420)	(155,420)	(942,013)	(786,593)

CITY OF HALLSVILLE, TEXAS

**SCHEDULE OF STATISTICAL RECAP FOR THE LAST TEN YEARS
OF SELECTED FINANCIAL DATA - GENERAL FUND
SEPTEMBER 30, 2021**

	Ten Year Fiscal Comparison General Fund									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Budgeted Revenue	1,925,500	1,949,895	1,491,450	1,270,200	1,216,900	991,200	864,400	1,052,800	1,021,858	968,047
Actual Revenue	2,442,334	2,258,099	2,201,756	1,646,252	1,623,242	1,205,014	1,128,341	1,146,931	1,211,205	1,012,090
Budgeted Expenditures	1,973,630	2,110,895	1,577,355	1,290,200	1,291,900	991,200	867,400	1,058,685	1,189,284	971,279
Actual Expenditures	1,616,124	1,483,328	2,021,350	1,495,863	1,722,672	1,504,457	1,082,292	1,160,555	1,424,213	919,637
Capital Assets Value - Gross	4,777,753	4,704,192	4,604,227	4,136,824	3,919,003	3,511,675	3,159,824	3,084,326	2,934,183	2,542,504
Capital Outlay	73,561	99,965	467,403	217,821	407,328	351,851	75,498	170,261	391,679	29,753
Bonds Payable	793,000	896,700	997,350	1,098,000	1,198,650	1,296,250	1,393,850	1,555,500	1,800,000	1,915,000
Total Fund Balance	2,957,374	2,131,164	1,356,393	1,175,987	876,085	975,515	1,025,022	978,973	992,597	892,464

CITY OF HALLSVILLE, TEXAS

**SCHEDULE OF STATISTICAL RECAP FOR THE LAST TEN YEARS
OF SELECTED FINANCIAL DATA - PROPRIETARY FUND
SEPTEMBER 30, 2021**

	Ten Year Fiscal Comparison									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Budgeted Revenue	1,462,950	1,412,200	1,430,700	1,421,400	1,405,025	1,338,000	1,302,300	1,193,200	1,266,400	1,268,800
Actual Revenue	1,741,493	1,635,513	1,461,543	1,610,750	1,495,271	1,476,024	1,439,031	1,362,741	1,382,363	1,443,324
Budgeted Expenditures	1,498,370	1,437,200	1,385,800	1,409,400	1,360,317	1,305,100	1,145,329	1,028,150	1,127,600	1,359,507
Actual Expenditures	1,649,825	1,813,389	1,506,192	1,706,404	1,449,073	1,499,065	1,438,395	1,382,994	1,180,136	1,030,312
Capital Assets Value - Gross	14,162,424	13,128,426	12,897,732	12,736,750	12,411,355	11,783,285	10,772,706	8,988,853	8,716,220	8,556,012
Capital Outlay	1,033,998	230,694	160,982	325,395	628,070	1,010,579	1,783,853	272,633	160,208	179,739
Bonds Payable	4,817,000	5,013,300	5,202,650	5,392,000	5,581,350	5,763,750	5,941,150	6,044,500	1,140,000	1,457,000
Net Asset Position	5,270,429	4,982,144	4,959,961	4,804,667	4,709,883	4,480,579	4,600,253	4,554,082	4,891,584	4,872,786