

CITY OF TERRELL, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

CITY OF TERRELL, TEXAS

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INTRODUCTORY SECTION

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August 1, 2023

Rick Carmona
Mayor

Mayrani Velazquez
Mayor Pro Tem
District 3

Stephanie Thomas
Deputy Mayor Pro Tem
District 4

Grady Simpson
Council Member
District 2

Phil Robison
Council Member
District 5

Mike Sims
City Manager

The Honorable Mayor and Members of the City Council
City of Terrell
Terrell, Texas

The Finance Department and the City Manager's office are pleased to submit the basic financial statements for the City of Terrell, Texas (the "City") for the fiscal year ended September 30, 2022.

This report is published to provide the City Council, City staff, our bondholders, our stakeholders, and other interested parties with detailed information concerning the financial condition and activities of the City. Responsibility for both accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief, the enclosed data is accurate in all material aspects and is organized in a manner designed to fairly present the financial position and results of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

THE REPORT

This report is presented in three sections: Introductory, Financial, and Single Audit. The introductory section includes this transmittal letter, a listing of the City officials, and an organizational chart of the City. The financial section includes Management's Discussion and Analysis (MD&A), basic financial statements and combining and individual fund statements and schedules, as well as the independent auditor's report on the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Terrell's MD&A can be found immediately following the report of the independent auditors. The Single Audit section contains a Schedule of Expenditures and Federal Awards and reports required by the Uniform Grant Guidance. The financial section described above is prepared in accordance with generally accepted account principles for governments as prescribed by the Governmental Accounting Standards Board (GASB) and other professional associations, as applicable.

CITY PROFILE

Location

The City of Terrell, Texas is located on U.S. Highway 80 just north of Interstate 20, and approximately 32 miles east of Dallas, Texas. The City, encompassing approximately 28 square miles, had a July 1, 2021 U.S. Census population estimate of 19,670 which is a 24.4% increase from the 2010 census population of 15,816. Terrell is the transportation, employment, and retail sales leader of Kaufman County. Each of the last 5 years, the U.S. Census Bureau has ranked Kaufman County in the top 5 fastest growing counties in the United States.

The City operates under the Council-Manager form of government. The City Council is comprised of the Mayor and four Council Members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Council and is responsible for daily management of the City. The basic financial statements of the City include all government activities, organizations, and functions for which the City is financially accountable as defined by the GASB. Promotion and development of commercial, industrial, and manufacturing enterprises that create and enhance local job opportunities are provided through a legally separate entity. The Terrell Economic Development Corporation ("TEDC") which functions, in essence, as a department of the City of Terrell has been included as an integral part of the City of Terrell's financial statements. Additional information on this legally separate entity can be found in the notes to the financial statements (see Note I.A.).

Services Provided

The City provides to its citizens those services that have proven to be necessary and meaningful and which the City at the least cost can provide. Major services provided under general government and enterprise functions are police and fire protection, water and sewer services, sanitation services, park and recreational facilities, library services, street maintenance and improvements, general administrative services, and municipal airport services. Internal services of the City accounted for on a cost reimbursement basis, are the fleet services, information technology services, and employee health coverage.

Accounting System and Budget Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received, and the liabilities are incurred. Accounting records of the City's utilities and other proprietary activities are maintained on an accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City Charter provides that the City Council shall adopt the annual budget prepared by City Management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the individual fund level. Financial reports are produced showing budget and actual expenditures for each fund. These financial reports are provided and reported to City Council and management monthly.

Budgetary line-items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at the position level and capital expenditures (items over \$5,000 and having a useful life of three or more years) are monitored and controlled item by item. Revenue budgets are reviewed monthly.

ECONOMIC OUTLOOK AND FINANCIAL CONDITIONS

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Terrell has a diversified industrial base consisting of manufacturers, distributors, and processors.

Two institutions of higher education are located in Terrell, which include Southwestern Christian College and Trinity Valley Community College. Trinity Valley operates a campus on IH20 with 2,000 students and a health science center on SH34 with 400 students.

The City actively works with the Terrell Economic Development Corporation and local industries to encourage expansions and relations to our community. Land is available for development and the area has and abundant water supply. Incentives are also available to facilitate business expansions or relocations.

Assess property valuations and sales tax collected for the 10 previous years are as follows:

2012	933,111,590	6,841,291
2013	931,725,093	7,826,951
2014	956,578,231	8,131,120
2015	1,006,213,527	8,770,648
2016	1,047,250,846	10,090,742
2017	1,154,529,944	10,901,404
2018	1,171,688,673	11,745,659
2019	1,362,215,578	11,742,435
2020	1,446,805,245	13,012,810
2021	1,507,679,514	15,725,405

Cash Management

The City awards its depository contract through the official bidding procedures for a three-year period, with an option to extend the contract for an additional two years. The current depository contract with American National Bank of Texas expires September 30, 2025, with an option to extend for an additional year.

The City has services-only contract, where a minimum amount of cash is held in interest bearing checking accounts to meet the City's operational needs. The remaining idle cash is invested by City officials in securities as allowed by Texas Statutes and by the City's investment policy.

At September 30, 2022, cash totaling \$64,828,322 were invested in the City's depository or certificates of deposit, and amounts totaling \$7,800,968 were invested in governmental investment pools. The overall portfolio provided \$128,621 in interest income during the year. Investment rates in the pools increased compared to last year and are expected to continue increasing into 2023.

It is the City's policy that all demand deposits and time deposits are secured by pledge collateral with a market value equal to no less than 100% of the deposits less an amount insured by the FDIC. The Finance Department and a third-party financial institution maintains evidence of the pledged collateral. Collateral is reviewed monthly to assure market value of the securities pledged equals or exceeds the related bank balances.

All safekeeping arrangements are in accordance with a safekeeping agreement approved by the City Manager that clearly defines the procedural steps for gaining access to pledge collateral deposits should the City of Terrell determine that the City's funds are in jeopardy. The safekeeping institution, or Custodian, is the Federal Home Loan Bank or an institution not affiliated with the firm pledging the collateral. The safekeeping agreement is a three-party contract between the City, the depository bank, and the Federal Home Loan Bank as Custodian. The security is held in the name of the depository bank on behalf of the City. The original copy of all safekeeping is delivered to the City. All collateral is subject to inspection and audit by the City Secretary and the City's independent auditors.

Risk Management

Property and Liability Plans

The City is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions and natural disasters. A comprehensive insurance plan for property and casualty and general liability coverage has been established with the Texas Municipal League.

Workers' Compensation Plan

The City is exposed to risk of loss due to injuries by employees while performing work-related duties. The City provides workers' compensation insurance coverage with the Texas Municipal League, which provides statutory coverage against potential losses.

Health Plan

The City has established a self-insurance plan for health care benefits that pays 100% of employee claims limited to \$50.00 per employee and \$650,000 in aggregate. The City has insured claims in excess of plan limits.

INDEPENDENT AUDIT

The City Charter requires an annual audit by independent certified public accountants. The accounting firm of Pattillo, Brown & Hill, L.L.P., was selected by the City Council to perform the fiscal year 2022 audit. In addition to meeting City Charter requirements, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1996 and the related Uniform Grant Guidance. The auditor's report on the basic financial statements is in the financial statements.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of all City departments. We would like to express our appreciation to all members to the City's staff who assisted and contributed to its preparation. We would also like to thank the Mayor and City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

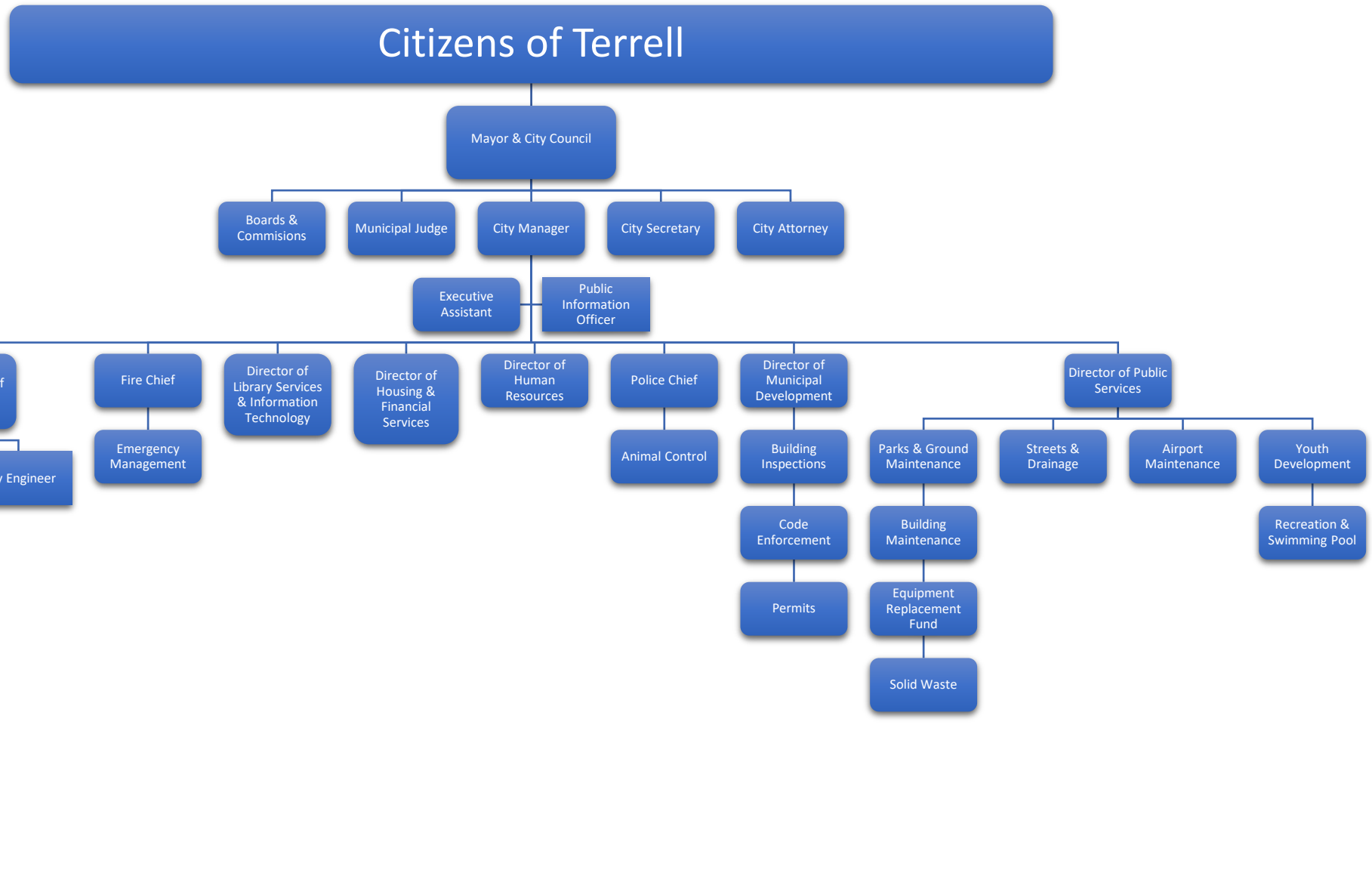
Respectfully submitted,



Shelly Wallace
Director of Finance

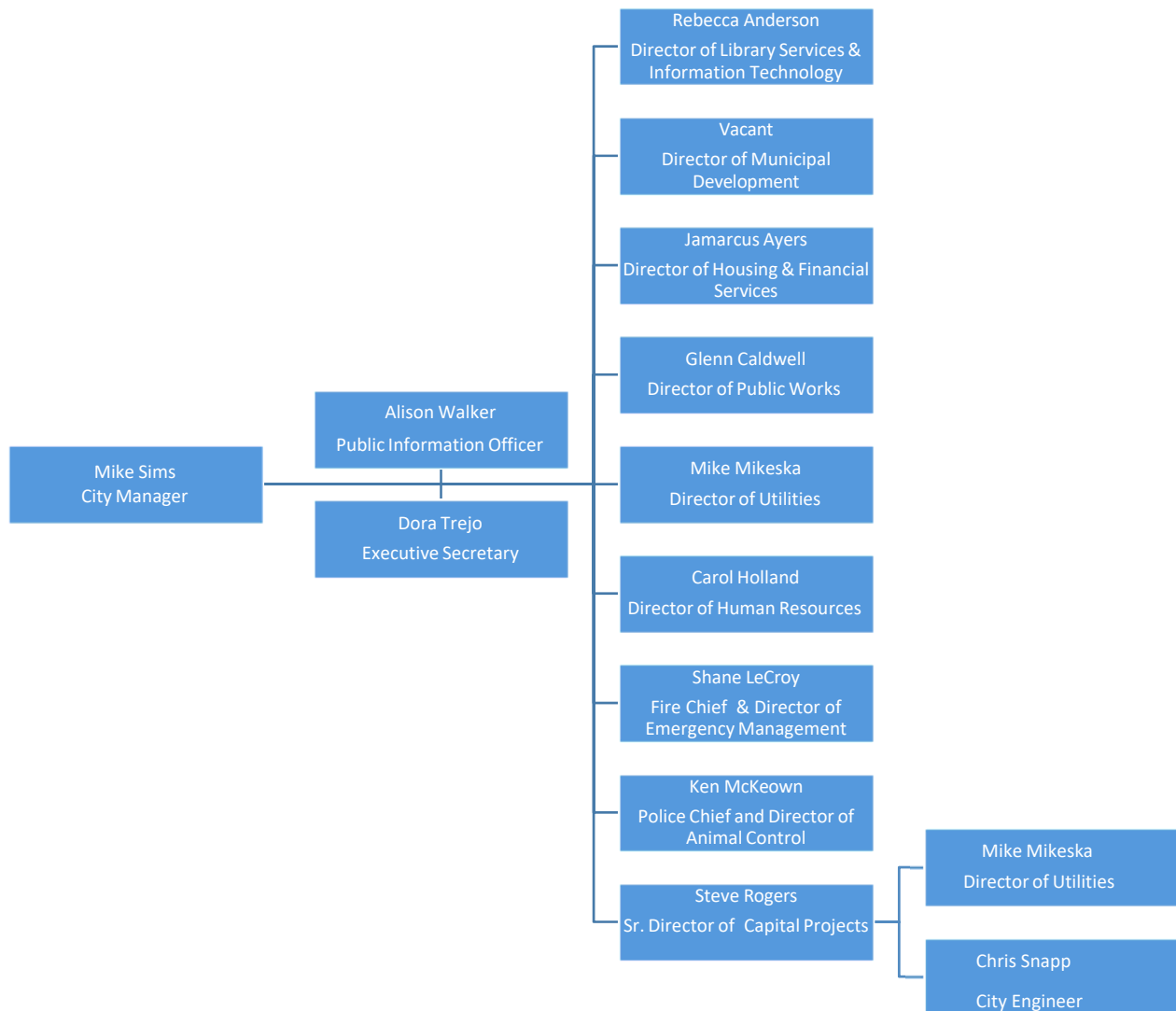


Proposed City of Terrell Organizational Chart Fiscal Year 2022-2023



City of Terrell

FY2022-2023 Executive Organizational Chart



CITY OF TERRELL, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2022

CITY OFFICIALS

Mayor Rick Carmona

Council Members Mayrani Velazquez, Mayor Pro Tem

Stephanie Holmes-Thomas, Deputy Mayor Pro Tem

Grady Simpson

Andreia Reese

City Manager Mike Sims

City Secretary Dawn Steil

City Attorneys Mary Gayle Ramsey

Greg Shumpert

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
Terrell, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Terrell, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Terrell, Texas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Terrell, Texas, as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Terrell, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Change of Accounting Principle

As discussed in the notes to the financial statements, in the year ending September 30, 2022, the City of Terrell, Texas, adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Terrell, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Terrell, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Terrell, Texas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Terrell, Texas' basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2023, on our consideration of the City of Terrell, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Terrell, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Terrell, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
August 1, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis

As management of the City of Terrell, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2022. This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget); and (e) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i – iv of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Terrell exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$104,383,179 (net position). Of this amount, (\$10,673,788) (unrestricted net position - deficit), if it were positive, may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$12,329,451 from operations.
- As of the close of the current fiscal year, the City of Terrell's governmental funds reported combined ending fund balances of \$48,408,712, an increase of \$2,025,530 in comparison with the prior fiscal year. Approximately 21% of this total amount, \$10,309,441, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,984,305 or 21% of the total General Fund expenditures.
- The City's total long-term debt decreased by \$4,676,416 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes earned but unused and compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees (business-type activities).

- Governmental activities include general government and administration, public safety, library, and parks and recreation.
- Business-type activities include the City's water and sewer system and airport operations. Charges for services cover all or most of the cost for these services.

Fund Financial Statements

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. Fund accounting is used by state and local governments to control and manage money for particular purposes and to ensure finance-related legal requirements. The City uses two fund types – governmental and proprietary.

- **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 that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in 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 funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 34 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 balances for the General Fund, the Rent Supplement Section 8, Terrell Public Private Partnership Fund (PPPF), Permanent Street Improvement, C of O Series 2021A, and the Terrell Economic Development Corporation, each of which are considered to be major funds. Data from the other 28 funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds** – The City maintains two types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its water and sewer utility and airport services. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its Internal Service Funds to account for its fleet services and self-funded health insurance plan. Because these services predominantly benefit governmental rather than business-type functions, it is included within governmental activities in the government-wide financial statements.

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 Utility, and Airport Funds since they are considered to be major funds of the City. All Internal Service Funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the Internal Service Funds is provided in the form of combining statements elsewhere in this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds and Internal Service Funds are presented following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Terrell, assets and deferred outflows exceeded liabilities and deferred inflows by \$104,383,179 as of September 30, 2022.

The largest portion of the City's net position, 80% (\$83,864,978), reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF TERRELL'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 78,202,524	\$ 74,569,930	\$ 24,548,693	\$ 30,378,917	\$ 102,751,217	\$ 104,948,847
Capital assets	<u>44,067,714</u>	<u>42,580,407</u>	<u>71,069,369</u>	<u>55,887,897</u>	<u>115,137,083</u>	<u>98,468,304</u>
Total assets	<u>122,270,238</u>	<u>117,150,337</u>	<u>95,618,062</u>	<u>86,266,814</u>	<u>217,888,300</u>	<u>203,417,151</u>
Deferred outflows of resources	<u>3,904,215</u>	<u>1,908,872</u>	<u>534,251</u>	<u>282,463</u>	<u>4,438,466</u>	<u>2,191,335</u>
Long-term liabilities	68,834,001	71,632,770	31,048,446	32,926,093	99,882,447	104,558,863
Other liabilities	<u>5,974,544</u>	<u>5,100,769</u>	<u>5,392,696</u>	<u>1,721,860</u>	<u>11,367,240</u>	<u>6,822,629</u>
Total liabilities	<u>74,808,545</u>	<u>76,733,539</u>	<u>36,441,142</u>	<u>34,647,953</u>	<u>111,249,687</u>	<u>111,381,492</u>
Deferred inflows of resources	<u>4,502,569</u>	<u>1,678,716</u>	<u>2,191,331</u>	<u>248,407</u>	<u>6,693,900</u>	<u>1,927,123</u>
Net position:						
Net investment in capital assets	20,029,609	14,783,899	63,835,369	47,058,897	83,864,978	61,842,796
Restricted	30,868,660	23,243,756	323,329	323,329	31,191,989	23,567,085
Unrestricted	<u>(4,034,930)</u>	<u>2,619,299</u>	<u>(6,638,858)</u>	<u>4,270,691</u>	<u>(10,673,788)</u>	<u>6,889,990</u>
Total net position	<u>\$ 46,863,339</u>	<u>\$ 40,646,954</u>	<u>\$ 57,519,840</u>	<u>\$ 51,652,917</u>	<u>\$ 104,383,179</u>	<u>\$ 92,299,871</u>

Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended September 30, 2022 and 2021.

CITY OF TERRELL'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 5,267,673	\$ 3,562,051	\$ 20,010,786	\$ 17,721,737	\$ 25,278,459	\$ 21,283,788
Operating grants and contributions	6,447,452	4,464,240	-	-	6,447,452	4,464,240
Capital grants and contributions	1,567,768	865,307	4,444,482	490,187	6,012,250	1,355,494
General revenues:						
Property taxes	12,742,625	12,176,457	-	-	12,742,625	12,176,457
Franchise taxes	1,636,334	1,462,354	-	-	1,636,334	1,462,354
Sales taxes	18,431,126	17,579,778	-	-	18,431,126	17,579,778
Other taxes	839,371	772,102	-	-	839,371	772,102
Interest	65,750	18,295	62,871	1,775	128,621	20,070
Miscellaneous	319,512	563,363	696	61,600	320,208	624,963
Gain on sale of capital assets	3,438,992	105,405	-	-	3,438,992	105,405
Transfers	<u>3,755,852</u>	<u>1,789,084</u>	<u>(3,755,852)</u>	<u>(1,789,084)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>54,512,455</u>	<u>43,358,436</u>	<u>20,762,983</u>	<u>16,486,215</u>	<u>75,275,438</u>	<u>59,844,651</u>
Expenses:						
General government	17,195,732	13,260,238	-	-	17,195,732	13,260,238
Public welfare	2,779,690	2,743,053	-	-	2,779,690	2,743,053
Public safety	12,827,566	11,480,741	-	-	12,827,566	11,480,741
Highways and streets	12,294,330	8,963,004	-	-	12,294,330	8,963,004
Sanitation	739,219	755,018	-	-	739,219	755,018
Culture and recreation	874,788	656,139	-	-	874,788	656,139
Interest on long-term debt	1,584,745	1,713,586	-	-	1,584,745	1,713,586
Water and sewer	-	-	13,800,257	13,893,923	13,800,257	13,893,923
Airport	-	-	849,660	665,791	849,660	665,791
Total expenses	<u>48,296,070</u>	<u>39,571,779</u>	<u>14,649,917</u>	<u>14,559,714</u>	<u>62,945,987</u>	<u>54,131,493</u>
Change in net position	6,216,385	3,786,657	6,113,066	1,926,501	12,329,451	5,713,158
Net position, beginning	<u>40,646,954</u>	<u>36,860,297</u>	<u>51,652,917</u>	<u>49,726,416</u>	<u>92,299,871</u>	<u>86,586,713</u>
Prior Period Adjustment	-	-	(246,143)	-	(246,143)	-
Net position, ending	<u>\$ 46,863,339</u>	<u>\$ 40,646,954</u>	<u>\$ 57,519,840</u>	<u>\$ 51,652,917</u>	<u>\$ 104,383,179</u>	<u>\$ 92,299,871</u>

Governmental activities. Of the City's \$12,329,451 overall increase in net position, governmental activities net position increased by \$6,216,385. One of the most significant governmental expenses for the City was general government, which incurred expenses of \$17,195,732. These expenses were funded by revenues collected from a variety of sources, with one of the largest being from sales taxes, which are \$18,431,126 for the fiscal year ended September 30, 2022. Other significant governmental expenses for the City include highways and streets, which incurred \$12,294,330 in expenses.

Business-type activities. Business-type activities increased the City's net position by \$6,113,066 . This increase was from regular water and sewer operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, the City of Terrell's governmental funds reported combined ending fund balances of \$48,408,712. Approximately 21% of this total amount (\$10,309,441) constitutes unassigned fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to (1) pay for capital projects (\$24,680,687), (2) pay for debt service (\$1,065,285), (3) pay for tourism/economic development (\$9,684,314), (4) pay for grants (\$729,296), (5) pay for law enforcement (\$84,391), and (6) pay for park development (\$1,830,105).

In the General Fund, the City budgeted for an increase in the fund balance of \$378,094. Due to actual revenues, specifically sales tax, being more than budgeted, the actual fund balance increased for fiscal year 2022 by \$427,926 .

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the respective proprietary funds are the Water and Sewer Fund, \$40,466,294; and the Airport Fund, \$17,053,546. The Water and Sewer Fund's net position increased in 2022 by \$3,761,822 and the Airport's net position increased by (\$2,351,244).

General Fund Budgetary Highlights

The City made slight revisions to the original appropriations approved by the City Council. Overall, these changes resulted in a decrease to budgeted General Fund expenditures from the original budget of \$1,019,132.

The City had budgeted for an increase in most revenue categories from the prior year collections based on economic conditions. The City's actual revenues were still larger than the budgeted revenue amount by \$1,815,036.

CAPITAL ASSETS

The City of Terrell's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to \$115,137,083 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress.

More capital asset events during the current fiscal year included the following:

- \$14,296,442 was spent on construction for multiple bond-funded water and sewer projects.
- Several governmental capital projects were completed and placed in service totaling \$8.1 million.
- Land was purchased in the amount of \$407,950.

CITY OF TERRELL'S CAPITAL ASSETS AT YEAR-END Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,995,011	\$ 1,587,061	\$ 2,555,465	\$ 2,533,992	\$ 4,550,476	\$ 4,121,053
Buildings and improvements	22,871,166	15,306,964	20,899,759	17,868,910	43,770,925	33,175,874
Machinery and equipment	3,679,937	3,331,830	25,031,256	26,157,389	28,711,193	29,489,219
Infrastructure	13,699,836	13,679,783	-	-	13,699,836	13,679,783
Right to use vehicles and equipment	978,503	-	-	-	978,503	-
Construction in progress	<u>843,261</u>	<u>8,674,769</u>	<u>22,582,889</u>	<u>9,327,606</u>	<u>23,426,150</u>	<u>18,002,375</u>
Total capital assets	<u>\$ 44,067,714</u>	<u>\$ 42,580,407</u>	<u>\$ 71,069,369</u>	<u>\$ 55,887,897</u>	<u>\$ 115,137,083</u>	<u>\$ 98,468,304</u>

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Terrell had a total bonded debt of \$73,650,000.

CITY OF TERRELL'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 9,635,000	\$ 10,565,000	\$ -	\$ -	\$ 9,635,000	\$ 10,565,000
Certificates of obligation	<u>34,255,000</u>	<u>35,380,000</u>	<u>29,760,000</u>	<u>31,355,000</u>	<u>64,015,000</u>	<u>66,735,000</u>
	<u>\$ 43,890,000</u>	<u>\$ 45,945,000</u>	<u>\$ 29,760,000</u>	<u>\$ 31,355,000</u>	<u>\$ 73,650,000</u>	<u>\$ 77,300,000</u>

During the current fiscal year, the City's total bonded debt decreased by \$3,650,000 or 5%. This was due to scheduled debt payments being made without any new issuances.

The City's bond ratings are listed below:

	Moody's Investors Service	Standard & Poor's
General Obligation Bonds	"A1"	"AA"
Revenue Bonds	"A1"	"AA"

Several of the City's bonds are insured, thus holding an A1 credit rating from Moody's and a Double A rating from Standard & Poor's. Additional information on the City of Terrell's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Our effort in the FY23 Budget was to maximize the delivery of projects and services identified in the Council's 3 Year Strategic Plan for FY22, FY23 and FY24 approved on May 11, 2021. Overall, the City Budget includes modest increases in the fund balances for the Information Technology Fund, General Fund and Utility Fund; with planned draw downs in the Public Private Partnership Fund, Capital Improvement Fund and Fleet Fund. The proposed budget shows a combined annual budget of over \$80M. There was no change to the tax rate (.006142 for Maintenance and Operations, .0015 for Interest and Sinking).

The budget for 2021 - 2022 reflects the allocations of resources necessary to continue projects and Operations at approximately the same level as last year.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Office of the Finance Director Shelly Wallace at (972) 551-6600 or email swallace@cityofterrell.org.

**BASIC
FINANCIAL STATEMENTS**

CITY OF TERRELL, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 52,453,734	\$ 11,347,946	\$ 63,801,680
Receivables (net, where applicable, of allowances for uncollectibles			
Accounts	3,650,839	4,123,324	7,774,163
Due from other governments	11,667,479	930,992	12,598,471
Special assessments	1,772,575	-	1,772,575
Other receivables	70,328	-	70,328
Prepaid expenses	5,908,674	-	5,908,674
Internal balances	915,928	(915,928)	-
Investment in land	1,737,774	-	1,737,774
Inventory, at cost	25,193	234,749	259,942
Restricted cash and investments	-	8,827,610	8,827,610
Capital assets:			
Land	1,995,011	2,555,465	4,550,476
Construction in progress	843,261	22,582,889	23,426,150
Buildings and improvements	19,296,433	39,524,712	58,821,145
Improvements other than buildings	10,364,770	-	10,364,770
Machinery and equipment	11,344,633	46,590,226	57,934,859
Infrastructure	44,287,419	-	44,287,419
Right to use - vehicles and equipment	2,070,382	-	2,070,382
Less accumulated depreciation	(46,134,195)	(40,183,923)	(86,318,118)
Total capital assets	<u>44,067,714</u>	<u>71,069,369</u>	<u>115,137,083</u>
Total assets	<u>122,270,238</u>	<u>95,618,062</u>	<u>217,888,300</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	2,594,924	340,510	2,935,434
Deferred outflows - TMRS SDBF	152,493	22,565	175,058
Deferred outflows - retiree health	<u>1,156,798</u>	<u>171,176</u>	<u>1,327,974</u>
Total deferred outflows of resources	<u>3,904,215</u>	<u>534,251</u>	<u>4,438,466</u>
LIABILITIES			
Accounts payable	1,516,227	3,889,182	5,405,409
Accrued interest payable	218,332	47,591	265,923
Unearned revenue	3,545,222	821,429	4,366,651
Other accrued liabilities	613,019	84,394	697,413
Customer deposits	-	522,976	522,976
Due to other governments	81,744	27,124	108,868
Long-term liabilities:			
Due within one year			
Long-term debt	3,388,467	1,642,307	5,030,774
Total OPEB liability - TMRS SDBF	19,505	2,886	22,391
Total OPEB liability - retiree health	212,252	31,408	243,660
Due in more than one year			
Long-term debt	57,105,775	28,229,227	85,335,002
Net pension liability	3,411,771	447,698	3,859,469
Total OPEB liability - TMRS SDBF	744,615	110,184	854,799
Total OPEB liability - retiree health	<u>3,951,616</u>	<u>584,736</u>	<u>4,536,352</u>
Total liabilities	<u>74,808,545</u>	<u>36,441,142</u>	<u>111,249,687</u>

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

CITY OF TERRELL, TEXAS

STATEMENT OF NET POSITION
(Continued)
SEPTEMBER 30, 2022

	Governmental Activities	Business-type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - leases	-	\$ 1,584,718	\$ 1,584,718
Deferred inflows - pensions	3,560,783	467,253	4,028,036
Deferred inflows - TMRS SDBF	34,276	5,072	39,348
Deferred inflows - retiree health	<u>907,510</u>	<u>134,288</u>	<u>1,041,798</u>
Total deferred inflows of resources	<u>4,502,569</u>	<u>2,191,331</u>	<u>6,693,900</u>
NET POSITION			
Net investment in capital assets	20,029,609	63,835,369	83,864,978
Restricted for:			
Tourism/economic development	9,684,314	-	9,684,314
Grants	729,296	-	729,296
Law enforcement	84,391	-	84,391
Highway projects	11,215,701	-	11,215,701
Capital projects	6,379,579	-	6,379,579
Park development	1,830,105	-	1,830,105
Debt service	945,274	323,329	1,268,603
Unrestricted	<u>(4,034,930)</u>	<u>(6,638,858)</u>	<u>(10,673,788)</u>
Total net position	\$ <u>46,863,339</u>	\$ <u>57,519,840</u>	\$ <u>104,383,179</u>

CITY OF TERRELL, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 17,195,732	\$ 924,147	\$ 1,873,671	\$ -
Public welfare	2,779,690	-	3,044,245	-
Public safety	12,827,566	278,685	1,039,375	-
Highways and streets	12,294,330	2,383,960	439,301	1,567,768
Sanitation	739,219	681,540	50,860	-
Culture and recreation	874,788	999,341	-	-
Interest on long-term debt	1,584,745	-	-	-
Total governmental activities	48,296,070	5,267,673	6,447,452	1,567,768
Business-type activities:				
Water and sewer	13,800,257	19,513,676	-	1,799,976
Airport	849,660	497,110	-	2,644,506
Total business-type activities	14,649,917	20,010,786	-	4,444,482
Total primary government	\$ 62,945,987	\$ 25,278,459	\$ 6,447,452	\$ 6,012,250

General revenues:

Taxes:
Property taxes, levied for general purposes
Property taxes, levied for debt service
Sales taxes
Franchise taxes
Other taxes
Unrestricted investment earnings
Miscellaneous
Gain on sale of capital assets
Transfers
Total general revenues and transfers
 Change in net position
 Net position - beginning
 Prior Period Adjustment
 Net position - ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$(14,397,914)	\$ -	\$(14,397,914)
264,555	-	264,555
(11,509,506)	-	(11,509,506)
(7,903,301)	-	(7,903,301)
(6,819)	-	(6,819)
124,553	-	124,553
(1,584,745)	-	(1,584,745)
(35,013,177)	-	(35,013,177)
-	7,513,395	7,513,395
-	2,291,956	2,291,956
-	9,805,351	9,805,351
(35,013,177)	9,805,351	(25,207,826)
10,287,204	-	10,287,204
2,455,421	-	2,455,421
18,431,126	-	18,431,126
1,636,334	-	1,636,334
839,371	-	839,371
65,750	62,871	128,621
319,512	696	320,208
3,438,992	-	3,438,992
3,755,852	(3,755,852)	-
41,229,562	(3,692,285)	37,537,277
6,216,385	6,113,066	12,329,451
40,646,954	51,652,917	92,299,871
-	(246,143)	(246,143)
\$ 46,863,339	\$ 57,519,840	\$ 104,383,179

CITY OF TERRELL, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	General	Terrell PPPF	Terrell Economic Development Corporation
ASSETS			
Cash and investments	\$ 2,183,222	\$ 7,353,985	\$ 6,079,656
Taxes receivable, net	2,954,070	-	584,138
Special assessments receivable, net	-	-	-
Other receivables	48,869	-	19,922
Due from other governments	304,394	11,215,701	-
Due from other funds	5,370,906	29,167	-
Investment in land	-	-	1,737,774
Inventories	25,193	-	-
Total assets	<u>10,886,654</u>	<u>18,598,853</u>	<u>8,421,490</u>
LIABILITIES			
Accounts payable	500,368	690,918	-
Accrued wages payable	603,850	-	-
Due to other funds	119,345	1,015,885	413,180
Due to other governments	-	81,744	-
Unearned revenue	3,213,285	100,000	19,922
Total liabilities	<u>4,436,848</u>	<u>1,888,547</u>	<u>433,102</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - taxes	368,273	-	-
Unavailable revenues - grants	-	11,215,701	-
Unavailable revenues - special assessments	-	-	-
Unavailable revenues - municipal court	72,035	-	-
Total deferred inflows of resources	<u>440,308</u>	<u>11,215,701</u>	<u>-</u>
FUND BALANCES			
Nonspendable	25,193	-	-
Restricted:			
Tourism/economic development	-	-	7,988,388
Grants	-	-	-
Law enforcement	-	-	-
Capital projects	-	-	-
Park development	-	-	-
Debt service	-	-	-
Unassigned	5,984,305	5,494,605	-
Total fund balances	<u>6,009,498</u>	<u>5,494,605</u>	<u>7,988,388</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,886,654</u>	<u>\$ 18,598,853</u>	<u>\$ 8,421,490</u>

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

Rent Supplement Section 8	Permanent Street Improvement	C of O Series 2021A	Other Governmental Funds	Total Governmental Funds
\$ 316,087	\$ 844,924	\$ 20,073,683	\$ 10,901,311	\$ 47,752,868
-	-	-	112,631	3,650,839
-	1,772,575	-	-	1,772,575
1,537	-	-	-	70,328
-	147,384	-	-	11,667,479
-	43,817	-	1,754,689	7,198,579
-	-	-	-	1,737,774
-	-	-	-	25,193
<u>317,624</u>	<u>2,808,700</u>	<u>20,073,683</u>	<u>12,768,631</u>	<u>73,875,635</u>
24,839	37,705	-	253,668	1,507,498
-	-	-	-	603,850
-	621,480	-	4,031,814	6,201,704
-	-	-	-	81,744
-	-	-	212,015	3,545,222
<u>24,839</u>	<u>659,185</u>	<u>-</u>	<u>4,497,497</u>	<u>11,940,018</u>
-	-	-	98,321	466,594
-	-	-	-	11,215,701
-	1,772,575	-	-	1,772,575
-	-	-	-	72,035
<u>-</u>	<u>1,772,575</u>	<u>-</u>	<u>98,321</u>	<u>13,526,905</u>
-	-	-	-	25,193
-	-	-	1,695,926	9,684,314
292,785	-	-	436,511	729,296
-	-	-	84,391	84,391
-	376,940	20,073,683	4,230,064	24,680,687
-	-	-	1,830,105	1,830,105
-	-	-	1,065,285	1,065,285
-	-	-	(1,169,469)	10,309,441
<u>292,785</u>	<u>376,940</u>	<u>20,073,683</u>	<u>8,172,813</u>	<u>48,408,712</u>
\$ <u>317,624</u>	\$ <u>2,808,700</u>	\$ <u>20,073,683</u>	\$ <u>12,768,631</u>	\$ <u>73,875,635</u>

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CITY OF TERRELL, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2022

Total fund balance, governmental funds \$ 48,408,712

Amounts reported for governmental activities in the Statement of Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 47,318,111

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Unavailable revenues - taxes	466,594
Unavailable revenues - grants	11,215,701
Unavailable revenues - special assessments	1,772,575
Unavailable revenues - municipal court	72,035

The assets and liabilities of certain Internal Service Funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 5,936,852

Some liabilities, (such as notes payable, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Position.

Bonds, certificates of obligation, and notes payable	(45,317,033)
Premium on bonds	(3,557,458)
Intergovernmental payable	(7,763,881)
Compensated absences	(2,608,644)
Developer agreement payable	(90,500)
Accrued interest payable	(218,332)
Net pension liability	(3,350,791)
Deferred outflows related to pensions	2,548,544
Deferred inflows related to pensions	(3,497,140)
Total OPEB liabilities	(4,832,381)
Deferred outflows related to OPEB	1,283,890
Deferred inflows related to OPEB	(923,515)

Net position of governmental activities in the Statement of Net Position \$ 46,863,339

CITY OF TERRELL, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>General</u>	<u>Terrell PPPF</u>	<u>Terrell Economic Development Corporation</u>
REVENUES			
Ad valorem taxes	\$ 9,082,422	\$ 2,610,856	\$ -
Hotel/motel occupancy taxes	-	-	-
Sales and use taxes	15,012,163	-	3,418,963
Franchise fees	1,717,889	-	-
Licenses and permits	309,187	-	-
Fees and fines	530,841	-	-
Intergovernmental	1,027,677	1,224,189	-
Charges for services	756,910	-	28,299
Investment earnings	11,855	21,552	5,910
Miscellaneous	<u>303,365</u>	<u>-</u>	<u>-</u>
Total revenues	<u>28,752,309</u>	<u>3,856,597</u>	<u>3,453,172</u>
EXPENDITURES			
Current:			
General government	10,742,717	18,872	3,602,602
Public welfare	-	-	-
Public safety	12,791,293	-	-
Highways and streets	3,481,804	4,032,840	-
Sanitation	658,477	-	-
Culture and recreation	654,356	-	-
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	<u>230,463</u>	<u>69,999</u>	<u>-</u>
Total expenditures	<u>28,559,110</u>	<u>4,121,711</u>	<u>3,602,602</u>
OVER (UNDER) EXPENDITURES	<u>193,199</u>	<u>(265,114)</u>	<u>(149,430)</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	188	-	3,324,264
Transfers in	2,643,387	409,117	-
Transfers out	<u>(2,408,848)</u>	<u>(376,536)</u>	<u>-</u>
Total other financing sources and uses	<u>234,727</u>	<u>32,581</u>	<u>3,324,264</u>
NET CHANGE IN FUND BALANCES	427,926	(232,533)	3,174,834
FUND BALANCES, BEGINNING	<u>5,581,572</u>	<u>5,727,138</u>	<u>4,813,554</u>
FUND BALANCES, ENDING	\$ <u>6,009,498</u>	\$ <u>5,494,605</u>	\$ <u>7,988,388</u>

Rent Supplement Section 8	Permanent Street Improvement	C of O Series 2021A	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 2,456,928	\$ 14,150,206
-	-	-	757,816	757,816
-	-	-	-	18,431,126
-	-	-	-	1,717,889
-	199,677	-	-	508,864
-	-	-	13,313	544,154
3,044,245	1,214,313	-	287,985	6,798,409
-	-	-	3,314,100	4,099,309
497	827	-	14,441	55,082
16,147	-	-	-	319,512
<u>3,060,889</u>	<u>1,414,817</u>	<u>-</u>	<u>6,844,583</u>	<u>47,382,367</u>
343,125	-	-	2,814,912	17,522,228
2,768,680	-	-	-	2,768,680
-	-	-	-	12,791,293
-	-	-	-	7,514,644
-	-	-	-	658,477
-	-	-	100,774	755,130
-	-	-	2,587,248	2,587,248
-	-	-	1,636,721	1,636,721
-	1,805,532	1,926,317	2,268,794	6,301,105
<u>3,111,805</u>	<u>1,805,532</u>	<u>1,926,317</u>	<u>9,408,449</u>	<u>52,535,526</u>
(50,916)	(390,715)	(1,926,317)	(2,563,866)	(5,153,159)
-	-	-	-	3,324,452
-	1,257,337	-	2,878,669	7,188,510
-	-	-	(548,889)	(3,334,273)
<u>-</u>	<u>1,257,337</u>	<u>-</u>	<u>2,329,780</u>	<u>7,178,689</u>
(50,916)	866,622	(1,926,317)	(234,086)	2,025,530
<u>343,701</u>	<u>(489,682)</u>	<u>22,000,000</u>	<u>8,406,899</u>	<u>46,383,182</u>
\$ <u>292,785</u>	\$ <u>376,940</u>	\$ <u>20,073,683</u>	\$ <u>8,172,813</u>	\$ <u>48,408,712</u>

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

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CITY OF TERRELL, 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, 2022

Net change in fund balances - total governmental funds: \$ 2,025,530

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	2,080,744
Depreciation expense	(1,788,206)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Unavailable revenues - taxes	(11,436)
Unavailable revenues - grants	(179,334)
Unavailable revenues - special assessments	114,852
Unavailable revenues - municipal court	494

The issuance of long-term debt (e.g., bonds leases) 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. Neither transaction, however, has any effect of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal on long-term debt	2,587,248
Amortization of premium on long-term debt	138,849

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.

Accrued interest payable	(35,384)
Compensated absences	(649,606)
Pension expense	1,153,835
OPEB expense	(144,089)

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment maintenance and self-insurance, to individual funds. The net revenue (expense) of certain Internal Service Funds is reported with governmental activities.

922,888

Change in net position of governmental activities \$ 6,216,385

CITY OF TERRELL, TEXAS

GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts	
	Original	Final
REVENUES		
Ad valorem taxes	\$ 9,199,303	\$ 9,199,303
Sales and use taxes	11,897,704	14,123,129
Franchise fees	1,914,633	1,914,633
Fees and fines	728,808	728,808
Licenses and permits	180,537	180,537
Intergovernmental	3,456,029	3,482,935
Charges for services	775,099	775,099
Investment earnings	1,001	1,001
Miscellaneous	161,900	161,900
Total revenues	<u>28,315,014</u>	<u>30,567,345</u>
EXPENDITURES		
Current:		
General government	9,619,245	10,336,200
Public safety	11,916,655	12,046,009
Highways and street	3,994,847	4,088,452
Sanitation	569,500	574,500
Culture and recreation	710,324	759,107
Capital outlay	28,651	54,086
Total expenditures	<u>26,839,222</u>	<u>27,858,354</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,475,792</u>	<u>2,708,991</u>
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	1,075	1,075
Transfers in	2,398,238	1,799,210
Transfers out	(3,561,982)	(4,131,182)
Total other financing sources and uses	<u>(1,162,669)</u>	<u>(2,330,897)</u>
NET CHANGE IN FUND BALANCES	313,123	378,094
FUND BALANCES, BEGINNING	<u>5,581,572</u>	<u>5,581,572</u>
FUND BALANCES, ENDING	<u>\$ 5,894,695</u>	<u>\$ 5,959,666</u>

Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
\$ 9,082,422	\$ (116,881)
15,012,163	889,034
1,717,889	(196,744)
530,841	(197,967)
309,187	128,650
1,027,677	(2,455,258)
756,910	(18,189)
11,855	10,854
303,365	141,465
<u>28,752,309</u>	<u>(1,815,036)</u>
10,742,717	(406,517)
12,791,293	(745,284)
3,481,804	606,648
658,477	(83,977)
654,356	104,751
230,463	(176,377)
<u>28,559,110</u>	<u>(700,756)</u>
<u>193,199</u>	<u>(2,515,792)</u>
188	(887)
2,643,387	844,177
(2,408,848)	1,722,334
<u>234,727</u>	<u>2,565,624</u>
427,926	49,832
<u>5,581,572</u>	<u>-</u>
\$ <u>6,009,498</u>	\$ <u>49,832</u>

CITY OF TERRELL, TEXAS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

SEPTEMBER 30, 2022

	Business-type Activities			Governmental Activities
	Water and Sanitary Sewer	Airport	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 10,174,235	\$ 1,173,711	\$ 11,347,946	\$ 4,700,866
Cash and investments - restricted	8,827,610	-	8,827,610	-
Accounts receivable, net	2,524,843	1,598,481	4,123,324	-
Due from other funds	26,000	598,485	624,485	-
Due from other governments	896,179	34,813	930,992	-
Inventories	234,749	-	234,749	-
Total current assets	<u>22,683,616</u>	<u>3,405,490</u>	<u>26,089,106</u>	<u>4,700,866</u>
Non-current assets:				
Capital assets:				
Land	2,207,717	347,748	2,555,465	-
Construction in progress	22,528,976	53,913	22,582,889	-
Buildings and improvements	15,322,681	24,202,031	39,524,712	-
Machinery and equipment	45,824,746	765,480	46,590,226	5,180,380
Right to use - vehicles and equipment	-	-	-	2,070,382
Less accumulated depreciation	(30,780,461)	(9,403,462)	(40,183,923)	(4,592,485)
Total capital assets	<u>55,103,659</u>	<u>15,965,710</u>	<u>71,069,369</u>	<u>2,658,277</u>
Total non-current assets	<u>55,103,659</u>	<u>15,965,710</u>	<u>71,069,369</u>	<u>2,658,277</u>
Total assets	<u>77,787,275</u>	<u>19,371,200</u>	<u>97,158,475</u>	<u>7,359,143</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	340,510	-	340,510	46,380
Deferred outflows - TMRS SDBF	22,565	-	22,565	2,958
Deferred outflows - retiree health	171,176	-	171,176	22,443
Total deferred outflows of resources	<u>534,251</u>	<u>-</u>	<u>534,251</u>	<u>71,781</u>
LIABILITIES				
Current liabilities:				
Accounts payable	3,818,209	70,973	3,889,182	8,729
Accrued interest payable	46,915	676	47,591	-
Due to other funds	1,515,555	24,858	1,540,413	80,947
Due to other governments	27,124	-	27,124	-
Unearned revenue	300,000	521,429	821,429	-
Other accrued expenses	84,394	-	84,394	9,169
Compensated absences	22,307	-	22,307	2,151
Leases payable	-	-	-	379,450
Bonds payable	1,505,000	115,000	1,620,000	-
Total OPEB liability - TMRS SDBF	2,886	-	2,886	378
Total OPEB liability - retiree health	<u>31,408</u>	<u>-</u>	<u>31,408</u>	<u>4,118</u>
Total current liabilities	<u>7,353,798</u>	<u>732,936</u>	<u>8,086,734</u>	<u>567,045</u>
Non-current liabilities:				
Compensated absences	89,227	-	89,227	8,604
Customer deposits	522,976	-	522,976	-
Leases payable	-	-	-	651,550
Notes payable	-	-	-	32,868
Bonds payable	28,140,000	-	28,140,000	-
Net pension liability	447,698	-	447,698	60,980
Total OPEB liability - TMRS SDBF	110,184	-	110,184	14,447
Total OPEB liability - retiree health	<u>584,736</u>	<u>-</u>	<u>584,736</u>	<u>76,664</u>
Total non-current liabilities	<u>29,894,821</u>	<u>-</u>	<u>29,894,821</u>	<u>845,113</u>
Total liabilities	<u>37,248,619</u>	<u>732,936</u>	<u>37,981,555</u>	<u>1,412,158</u>

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

CITY OF TERRELL, TEXAS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 (Continued)

SEPTEMBER 30, 2022

	Business-type Activities			Governmental Activities
	Water and Sanitary Sewer	Airport	Total	Internal Service Funds
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - leases	\$ -	\$ 1,584,718	\$ 1,584,718	\$ -
Deferred inflows - pensions	467,253	-	467,253	63,643
Deferred inflows - TMRS SDBF	5,072	-	5,072	665
Deferred inflows - retiree health	<u>134,288</u>	<u>-</u>	<u>134,288</u>	<u>17,606</u>
Total deferred inflows of resources	<u>606,613</u>	<u>1,584,718</u>	<u>2,191,331</u>	<u>81,914</u>
NET POSITION				
Net investment in capital assets	47,984,659	15,850,710	63,835,369	1,512,306
Restricted for debt service	323,329	-	323,329	-
Unrestricted	<u>(7,841,694)</u>	<u>1,202,836</u>	<u>(6,638,858)</u>	<u>4,424,546</u>
Total net position	\$ <u>40,466,294</u>	\$ <u>17,053,546</u>	\$ <u>57,519,840</u>	\$ <u>5,936,852</u>

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CITY OF TERRELL, TEXAS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-type Activities			Governmental Activities
	Water and Sanitary Sewer	Airport	Total	Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 19,513,676	\$ -	\$ 19,513,676	\$ -
Rental income	-	497,110	497,110	-
Internal service revenues	-	-	-	5,599,248
Miscellaneous	696	-	696	150,090
Total operating revenues	<u>19,514,372</u>	<u>497,110</u>	<u>20,011,482</u>	<u>5,749,338</u>
OPERATING EXPENSES				
Cost of sales and services	12,204,722	375,164	12,579,886	292,404
Administration	92,787	-	92,787	1,101,860
Repairs and maintenance	-	-	-	66,660
Other supplies and expenses	-	-	-	833,315
Insurance claims and expenses	-	-	-	1,926,964
Depreciation	1,103,113	467,573	1,570,686	580,580
Total operating expenses	<u>13,400,622</u>	<u>842,737</u>	<u>14,243,359</u>	<u>4,801,783</u>
OPERATING INCOME (LOSS)	<u>6,113,750</u>	<u>(345,627)</u>	<u>5,768,123</u>	<u>947,555</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment earnings	34,481	28,390	62,871	10,667
Capital grants	1,799,976	2,644,506	4,444,482	-
Interest and fiscal charges	(399,635)	(6,923)	(406,558)	(51,489)
Gain (loss) on disposal of assets	-	-	-	114,540
Transfers in	74,509	117,963	192,472	6,388
Transfers out	(3,861,259)	(87,065)	(3,948,324)	(104,773)
Total non-operating revenues (expenses)	<u>(2,351,928)</u>	<u>2,696,871</u>	<u>344,943</u>	<u>(24,667)</u>
CHANGE IN NET POSITION	3,761,822	2,351,244	6,113,066	922,888
TOTAL NET POSITION, BEGINNING	<u>36,704,472</u>	<u>14,948,445</u>	<u>51,652,917</u>	<u>5,013,964</u>
PRIOR PERIOD ADJUSTMENT	-	(246,143)	(246,143)	-
RESTATED TOTAL NET POSITION, BEGINNING	<u>-</u>	<u>14,702,302</u>	<u>14,702,302</u>	<u>5,013,964</u>
TOTAL NET POSITION, ENDING	<u>\$ 40,466,294</u>	<u>\$ 17,053,546</u>	<u>\$ 57,519,840</u>	<u>\$ 5,936,852</u>

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

CITY OF TERRELL, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-type Activities	
	Water and Sanitary Sewer	Airport
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 19,520,017	\$ 483,347
Cash paid for services and insurance claims	-	-
Cash paid to suppliers for goods and services	(10,222,972)	(421,250)
Cash paid to employees for services	(246,902)	-
Net cash provided by operating activities	<u>9,050,143</u>	<u>62,097</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from other funds	74,509	117,963
Cash paid to other funds	(3,861,259)	(87,065)
Cash received from intergovernmental grants	<u>300,000</u>	<u>521,429</u>
Net cash provided (used) for noncapital financing activities	<u>(3,486,750)</u>	<u>552,327</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(12,431,622)	(35,929)
Proceeds from sale of capital assets	-	-
Proceeds from issuance of long-term debt	-	-
Principal paid on long-term debt	(1,485,000)	(110,000)
Capital grants	-	-
Interest and fiscal charges paid on debt	(400,860)	(7,963)
Net cash used for capital and related financing activities	<u>(14,317,482)</u>	<u>(153,892)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	<u>34,481</u>	<u>28,390</u>
Net cash provided by investing activities	<u>34,481</u>	<u>28,390</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,719,608)	488,922
CASH AND CASH EQUIVALENTS, BEGINNING	<u>27,721,453</u>	<u>684,789</u>
CASH AND CASH EQUIVALENTS, ENDING	\$ <u>19,001,845</u>	\$ <u>1,173,711</u>

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

Business-type Activities	Governmental Activities
Total	Internal Service Funds
\$ 20,003,364	\$ 5,749,338
-	(3,296,763)
(10,644,222)	(926,588)
(246,902)	(322,772)
<u>9,112,240</u>	<u>1,203,215</u>
192,472	8,368
(3,948,324)	(104,773)
<u>821,429</u>	<u>-</u>
(2,934,423)	(96,405)
(12,467,551)	(681,403)
-	114,540
-	514,626
(1,595,000)	(462,601)
-	-
(408,823)	(51,489)
(14,471,374)	(566,327)
<u>62,871</u>	<u>10,667</u>
<u>62,871</u>	<u>10,667</u>
(8,230,686)	551,150
<u>28,406,242</u>	<u>4,149,716</u>
\$ <u>20,175,556</u>	\$ <u>4,700,866</u>

CITY OF TERRELL, TEXAS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-type Activities	
	Water and Sanitary Sewer	Airport
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 6,113,750	\$(345,627)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,103,113	467,573
Changes in assets and liabilities:		
Decrease (increase) in assets and deferred outflows:		
Customer receivable	(21,845)	(1,598,481)
Other receivable	(896,179)	(17,982)
Inventories	114,078	-
Due from other funds	397,793	(16,104)
Deferred outflows of resources	(251,788)	-
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	2,715,700	(12,988)
Accrued liabilities	15,595	-
Compensated absences	50,486	-
Due to other funds	(362,730)	988
Due to other governments	19,607	-
Deferred inflows of resources	358,206	1,584,718
Net pension liability	(403,803)	-
Total OPEB liability - TMRS SDBF	4,637	-
Total OPEB liability - retiree health	66,033	-
Customer deposits	27,490	-
Net cash provided by operating activities	\$ <u>9,050,143</u>	\$ <u>62,097</u>

Business-type Activities	Governmental Activities Internal Service Funds
Total	
\$ 5,768,123	\$ 947,555
1,570,686	580,580
(1,620,326)	-
(914,161)	-
114,078	-
381,689	-
(251,788)	(34,748)
2,702,712	(294,552)
15,595	(375)
50,486	(3,195)
(361,742)	-
19,607	-
1,942,924	49,345
(403,803)	(50,660)
4,637	608
66,033	8,657
27,490	-
\$ <u>9,112,240</u>	\$ <u>1,203,215</u>

CITY OF TERRELL, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Terrell (the "City") was incorporated on September 6, 1875, under an act of the 14th Legislature of the State of Texas. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire); highways and streets; sanitation; culture-recreation; public improvements; planning and zoning; and general administrative services.

The accounting policies of the City of Terrell conform to generally accepted accounting principles as applicable to local governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. Based on these considerations, the Terrell Economic Development Corporation has been included in the City's reporting entity as blended component unit; although legally separate entity is in substance a part of the City's operations.

The Terrell Economic Development Corporation ("TEDC") was incorporated in 1990 under the provisions of the Development Corporation Act of 1979, as amended. TEDC operates under a five-member Board of Directors appointed by the City Council. The purpose of TEDC is to promote and develop commercial, industrial, and manufacturing enterprises to create and enhance local job opportunities. The City Council maintains organizational control over TEDC in addition to significant managerial control over the assets and operations. TEDC has been incorporated into these financial statements as a major governmental fund. Essential disclosures are included in separately issued financial statements of the TEDC. These statements may be obtained at the City's administrative office.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Rent Supplement Section 8 Fund** is a Special Revenue Fund used to account for federal funds received under contract from the Department of Housing and Urban Development for housing rental assistance.

The **Terrell Public Private Partnership Fund (PPPF)** is issued to account for the accumulation and expenditures of funds within the Tax Increment Zone.

The **Terrell Economic Development Fund** is a component unit of the City and accounts for 3/8 cent sales tax revenues used to promote and develop commercial, industrial and manufacturing enterprises to create and enhance job opportunities.

The **Permanent Street Improvement Fund** is used to account for funds for various street and sidewalk projects.

The **C of O Series 2021A** is used to account for funds received from the issuance of the Certificates of Obligation 2021A and the Certificates of Obligation Taxable Series 2021A.

The City reports the following major proprietary funds:

The **Water and Sanitary Sewer Fund** is used to account for sale of water and wastewater treatment by the City to businesses and residential customers and to surrounding communities.

The **Airport Fund** is used to account for operations of the Terrell Municipal Airport.

Additionally, the City reports the following fund types:

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City reports the following Internal Service Funds.

Insurance Fund – to account for the City's insurance programs.

Equipment Replacement Fund – to track fleet maintenance, repair and replacement.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the City's water utilities function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the City's Enterprise Funds and of the Internal Service Funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position/Fund Balance

Equity in Pooled Cash and Investments

The City reclassifies certain of its cash and investments into equity in pooled cash and investments. Each fund participates on a daily transaction basis and income for all assets included in pooled cash and investments is allocated to individual funds based on their respective balance in equity in pooled cash and investments.

Additionally, deposits and investments continue to be held separately by several of the City's funds. Income on these assets is recorded in the respective fund holding the deposits and investments.

All assets in equity in pooled cash and investments and demand deposits on hand have been considered as cash equivalents for purposes of the statement of cash flows.

Investments for the Entity are reported at fair value, except for the position in investment pools, which are reported at net asset value.

Investments

State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, and repurchase agreements. Investments are stated at fair value.

Investment in Land and Building

The Terrell Economic Development Corporation invests in land and buildings to sell to prospective businesses to enhance economic development. Investment in land and invested in building is stated at cost.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible. The City provides an allowance for doubtful accounts based upon the anticipated collectability of each specific account as determined by experience.

Property taxes are levied October 1 on the assessed value of property at January 1 and are due by January 31 of the following year. The total assessed value of property was \$2,077,704,386 and the tax rates were \$.6042 per \$100 valuation for maintenance and operations and \$.1600 per \$100 valuation for debt service. Unpaid taxes attach as an enforceable lien on property as of January 31. Revenue from taxes assessed is recorded as deferred inflows of resources on October 1. The deferred inflows of resources from taxes is then recognized as revenue during the year as the taxes are actually received.

Inventories and Prepaid Items

Inventories of materials and supplies are accounted for using the consumption method. Under the consumption method, inventories are recorded as expenditures when they are used with significant amounts on hand reported on the balance sheet at average cost. In governmental funds, reported inventories do not represent available spendable resources and are, therefore, equally offset by a nonspendable fund balance designation.

Restricted Assets

Certain proceeds of the City's Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Water and Sanitary Sewer Fund Debt Service Fund account is used to segregate resources accumulated for debt service payments over the life of the bonds.

Capital Assets

Capital assets are tangible and intangible, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, right to use assets, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Property, plant and equipment of the primary government, as well as the component units, is depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45
Building improvements	10 - 20
Improvements other than buildings	20 - 45
Public domain infrastructure	20 - 40
Vehicles	12
Heavy equipment	10 - 15
Office equipment	7
Computer equipment	5 - 7
Right to use - vehicles	5

Construction in Progress

Expenditures on incomplete capital projects have been capitalized as construction in progress. The assets resulting from these projects will be transferred from the construction in progress accounts to the appropriate asset account as the projects are completed.

Compensated Absences

The City's vacation pay policy provides that vacation pay accrues at various rates based on length of service up to the maximum of 21 days per year. Generally, sick leave is not paid upon termination except for firemen and policemen. Firemen and policemen accumulate unused sick leave up to a maximum of 90 days. All other employees are paid only upon illness while in the employ of the City.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Leases

Lessee. The City is a lessee for a noncancellable lease of equipment. The City recognizes lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor. The City is a lessor for noncancellable leases and recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

TMRS Supplemental Death Benefits Fund. The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF), which is an optional single-employer defined benefit life insurance plan that is administered by TMRS. It provides death benefits to active and, if elected, retired employees of participating employers. Contribution rates are determined annually for each participating municipality as a percentage of that City's covered payroll. The death benefit for retirees is considered an other postemployment benefit (OPEB). The OPEB program is an unfunded trust because the SDBF trust covers both actives and retirees and is not segregated. The Total OPEB Liability of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Total OPEB Liability, deferred inflows and outflows of resources, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Retiree Health Plan. The City provides post-employment medical care (Medical OPEB) for retired employees through a self-insured PPO plan. The plan provides medical benefits for eligible retirees, their spouses, and their dependent. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the City not contributing anything toward the plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. As an irrevocable trust has not been established, the plan is not accounted for as a trust fund. For this purpose, plan contributions are recognized in the period that the direct and indirect subsidies are paid by the City. Total OPEB liability, OPEB-related deferred outflows and inflows of resources, and OPEB expense is based on the actuarial measurement dates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in expected and actual pension experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions and other inputs - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following types of items that qualify for reporting in this category.

- The City recognizes deferred inflows related to leases for its lessor transactions. These amounts offset the receivable related to the lease and will be recognized systematically in future years over the life of the lease.
- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in projected and actual earnings on pension assets - This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions and other inputs - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Fund Balance

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

Net Position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net assets investment in capital assets consists of the City's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets. Net Position reported as restricted are those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance Flow Assumption

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

GASB Statement No. 87, *Leases*, was adopted effective October 1, 2021. The statement addresses accounting and financial reporting for lease contracts. Statement No. 87 establishes standards for recognizing and measuring assets, liabilities, deferred outflows of resources, deferred inflows of resources, and revenues and expenses related to leases in the basic financial statements, in addition to requiring more extensive note disclosures. The adoption of this standard did not result in a restatement of beginning fund balance or net position, but assets, deferred inflows and liabilities were recognized, and more extensive note disclosures were required.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

1. Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The City Council approves, by ordinance, budget appropriations on a departmental basis. The City Manager is authorized to transfer budget amounts within any department; however, any revisions that alter the total departmental appropriation must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations for each department.
4. A formal budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.
5. Several budget amendments were made during the year.
6. Appropriations lapse at year-end.

Expenditures exceeded appropriations in the general fund by \$700,756. This overage was funded with existing fund balance and by cost savings from less transfers out than budgeted.

B. Deficit Fund Balance/Net Position

The Certificates of Obligation Tax and Revenue Series 2004 Fund had a deficit equity balance of \$16,400 as of September 30, 2022. The TCDP Grant Fund had a deficit fund balance of \$169,214 as of September 30, 2022. The Information Technology Fund had a deficit fund balance of \$501,918 as of September 30, 2022. The CO 2021 Bond Fund had a deficit fund balance of \$481,937 as of September 30, 2022. The deficit equity balances will be covered by future transfers from the General Fund.

3. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2022, the City's deposit balance was collateralized with securities held by the pledging financial institution or by FDIC insurance.

The City Council has adopted a written investment policy regarding the investments of its funds as defined by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the Council's investment policies. All significant legal and contractual provisions for investments were complied with during the year.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of September 30, 2022, the City held the following fair value measurements:

	9/30/2022	Valuation Method	Percent of Total Portfolio	Weighted Average Maturity (Days)
Primary government				
Cash and cash equivalents				
Demand Deposits	\$ 64,828,321	Cost		
TexPool	3,551,039	NAV	45.52%	37
TexTERM	1,523,586	NAV	19.53%	48
TexSTAR	2,726,344	NAV	34.95%	39
Total cash and cash equivalents	<u>72,629,290</u>			
Total cash and investments				
of the reporting entity	<u>\$ 72,629,290</u>			

Receivables

Receivables as of year-end for the City's individual major funds and nonmajor and Internal Service Funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Rent Supplement Section 8	Terrell EDC	Terrell PPPF	Permanent Street Improvement	Other Governmental and Other	Total Governmental Funds
Receivables:							
Taxes	\$ 3,049,148	\$ -	\$ 584,138	\$ -	\$ -	\$ 137,959	\$ 3,771,245
Due from other governments	304,394	-	-	11,215,701	147,384	-	11,667,479
Special assessment	-	-	-	-	2,332,335	-	2,332,335
Fines and fees	1,440,695	1,537	-	-	-	-	1,442,232
Miscellaneous	4,281	-	19,922	-	-	-	24,203
Gross receivables	4,798,518	1,537	604,060	11,215,701	2,479,719	137,959	19,237,494
Less: allowance for uncollectibles	(1,491,185)	-	-	-	(559,760)	(25,328)	(2,076,273)
Net total receivables	<u>\$ 3,307,333</u>	<u>\$ 1,537</u>	<u>\$ 604,060</u>	<u>\$ 11,215,701</u>	<u>\$ 1,919,959</u>	<u>\$ 112,631</u>	<u>\$ 17,161,221</u>

	Water Utilities	Airport	Enterprise Funds
Receivables:			
Due from other governments	\$ 896,179	\$ 34,813	\$ 930,992
Lease receivable	-	1,598,481	1,598,481
Customer accounts	3,547,227	-	3,547,227
Gross receivables	4,443,406	1,633,294	6,076,700
Less: allowance for uncollectibles	(1,022,384)	-	(1,022,384)
Net total receivables	<u>\$ 3,421,022</u>	<u>\$ 1,633,294</u>	<u>\$ 5,054,316</u>

Leases Receivable. The City has entered into multiple lease agreements as lessor for hangar space at the City-owned airport. During fiscal year 2022, there were seven active agreements with annual payments ranging from \$1,500 to \$150,000. The agreements cover terms ending from 2026 to 2045 with imputed interest rates of 3.5%. For the year ended September 30, 2022, the City recognized lease revenue of \$136,503 from these agreements.

Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

Primary Government

	Beginning Balance	Additions & Reclass	Deletions & Reclass	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,587,061	\$ 407,950	\$ -	\$ 1,995,011
Construction in progress	8,674,769	314,804	(8,146,312)	843,261
Total assets not being depreciated	<u>10,261,830</u>	<u>722,754</u>	<u>(8,146,312)</u>	<u>2,838,272</u>
Capital assets, being depreciated:				
Buildings	19,296,433	-	-	19,296,433
Improvements, other than buildings	2,389,569	7,975,201	-	10,364,770
Machinery and equipment	10,080,788	1,399,362	(135,517)	11,344,633
Infrastructure	43,739,699	547,720	-	44,287,419
Right to use - vehicles and equipment	1,750,574	319,808	-	2,070,382
Total capital assets being depreciated	<u>77,257,063</u>	<u>10,242,091</u>	<u>(135,517)</u>	<u>87,363,637</u>
Less accumulated depreciation:				
Buildings	(4,879,840)	(152,701)	-	(5,032,541)
Improvements, other than buildings	(1,499,198)	(258,298)	-	(1,757,496)
Machinery and equipment	(6,748,958)	(1,047,951)	132,213	(7,664,696)
Infrastructure	(30,059,916)	(527,667)	-	(30,587,583)
Right to use - vehicles and equipment	(709,710)	(382,169)	-	(1,091,879)
Total accumulated depreciation	<u>(43,897,622)</u>	<u>(2,368,786)</u>	<u>132,213</u>	<u>(46,134,195)</u>
Total capital assets being depreciated, net	<u>33,359,441</u>	<u>7,873,305</u>	<u>(3,304)</u>	<u>41,229,442</u>
Governmental activities capital assets, net	<u>\$ 43,621,271</u>	<u>\$ 8,596,059</u>	<u>\$ (8,149,616)</u>	<u>\$ 44,067,714</u>

	Beginning Balance	Additions & Reclass	Deletions & Reclass	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 2,533,992	\$ 21,473	\$ -	\$ 2,555,465
Construction in progress	9,327,606	14,350,354	(1,095,071)	22,582,889
Total assets not being depreciated	<u>11,861,598</u>	<u>14,371,827</u>	<u>(1,095,071)</u>	<u>25,138,354</u>
Capital assets, being depreciated:				
Buildings and improvements	36,049,310	3,475,402	-	39,524,712
Machinery and equipment	46,590,226	-	-	46,590,226
Total capital assets being depreciated	<u>82,639,536</u>	<u>3,475,402</u>	<u>-</u>	<u>86,114,938</u>
Less accumulated depreciation:				
Buildings and improvements	(18,180,400)	(444,553)	-	(18,624,953)
Machinery and equipment	(20,432,837)	(1,126,133)	-	(21,558,970)
Total accumulated depreciation	<u>(38,613,237)</u>	<u>(1,570,686)</u>	<u>-</u>	<u>(40,183,923)</u>
Total capital assets being depreciated, net	<u>44,026,299</u>	<u>1,904,716</u>	<u>-</u>	<u>45,931,015</u>
Business-type activities capital assets, net	<u>\$ 55,887,897</u>	<u>\$ 16,276,543</u>	<u>\$ (1,095,071)</u>	<u>\$ 71,069,369</u>

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

Governmental activities:	
General government	\$ 149,729
Public safety	869,244
Highways and streets	661,688
Culture and recreation	107,545
Capital assets held by the City's internal service funds are charged to the various functions based on their usage	<u>580,580</u>
Total depreciation expense - governmental activities	<u>2,368,786</u>
Business-type activities:	
Water and sanitary sewer	1,103,113
Airport	<u>467,573</u>
Total depreciation expense - business-type activities	<u>\$ 1,570,686</u>

Interfund Receivables and Payables and Transfers

The composition of interfund balances as of September 30, 2022, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General fund	Terrell PPPF	\$ 15,885
	Economic development corporation	413,180
	Permanent street improvement	454,963
	Nonmajor governmental	3,803,079
	Water and sanitary sewer	578,307
	Airport fund	24,858
	Internal service fund	80,634
Terrell PPPF	Nonmajor governmental	29,167
Permanent street improvement	Water and sanitary sewer	43,817
Nonmajor governmental	General fund	119,345
	Terrell PPPF	1,000,000
	Permanent street improvement	166,517
	Nonmajor governmental	127,211
	Water and sanitary sewer	341,303
	Internal service fund	313
Water and sanitary sewer	Nonmajor governmental	26,000
Airport fund	Nonmajor governmental	46,357
	Water and sanitary sewer	<u>552,128</u>
		<u>\$ 7,823,064</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers:

Transfers out	Transfers in	Amount
General fund	Terrell PPPF	\$ 386,200
	Permanent street improvement	1,047,337
	Nonmajor governmental	975,311
Terrell PPPF	Nonmajor governmental	366,255
	Water and sewer fund	10,281
Nonmajor governmental	General fund	168,920
	Permanent street improvement	110,000
	Nonmajor governmental	121,575
	Water and sewer fund	7,514
	Terrell PPPF	22,917
	Airport fund	117,963
Internal service funds	Nonmajor governmental	56,256
	Water and sewer fund	48,517
Airport fund	Nonmajor governmental	72,480
	Water and sewer fund	8,197
	Internal service funds	6,388
Water and sewer fund	General fund	2,474,467
	Permanent street improvement	100,000
	Nonmajor governmental	<u>1,286,792</u>
		<u>\$ 7,387,370</u>

Transfers are used to move revenues from the fund required by statute or budget to collect them to the fund expending them.

Unearned Revenue

Unearned Revenue is recognized for cash resources received before the related eligibility requirements have been met. As of September 30, 2022, unearned revenue predominantly consists of unspent American Rescue Plan Act grant funds in the amount of \$4,346,729 that will be recognized in future years as the funds are expended for eligible program costs.

Long-term Debt

Bonded Debt

Bonded debt of the City as of September 30, 2022, is comprised of the following individual issues:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>
Certificates of Obligation:				
Tax Supported:				
Series 2013	2.64%	2/15/2024	\$ 1,635,000	\$ 395,000
Series 2014	2.00-5.00%	2/15/2032	12,175,000	10,670,000
Series 2021	3.3600%	2/15/2034	3,030,000	2,750,000
Series 2021A	2.00-4.00%	2/15/2051	9,510,000	9,445,000
Series 2021A	.32-3.10%	2/15/2051	11,180,000	10,995,000
				<u>34,255,000</u>
Revenue Supported:				
Series 2003	4.00-4.70%	44972	1,500,000	115,000
Series 2011A	1.25-6.75%	51547	4,660,000	3,790,000
Series 2019A	.010-1.430%	54696	5,215,000	4,580,000
Series 2019B	1.160-2.440%	54696	5,215,000	1,575,000
Series 2020A	0.00%	51409	6,000,000	5,400,000
Series 2021	3.3600%	2/15/2034	3,545,000	3,220,000
Series 2021B	-	2/15/2051	10,045,000	9,595,000
Series 2021C	.15-1.06%	2/15/2051	1,535,000	1,485,000
				<u>29,760,000</u>
General Obligation Bonds:				
Series 2012	1.89%	02/15/2024	5,880,000	725,000
Series 2021	3.00-5.00%	02/15/2046	9,215,000	8,910,000
				<u>9,635,000</u>
				<u>\$ 73,650,000</u>

Revenue-supported certificates of obligation are marked as direct borrowings; however, the terms of these obligations do not differ significantly from the City's other outstanding debt and do not contain substantive acceleration clauses. In the event of default, any registered holder of the obligations would be entitled to seek a writ of mandamus from a court of proper jurisdiction ordering payment.

Annual debt service requirements to maturity for bonded debt are as follows:

	Governmental Activities				
Year Ending September 30,	Certificates of Obligation				Total Requirements
	Tax Supported		General Obligation Bonds		
	Principal	Interest	Principal	Interest	
2023	\$ 1,205,000	\$ 1,094,329	\$ 735,000	\$ 369,898	\$ 3,404,227
2024	1,315,000	1,067,319	835,000	346,147	3,563,466
2025	1,395,000	1,037,219	480,000	321,350	3,233,569
2026	1,425,000	1,004,767	510,000	296,600	3,236,367
2027	1,745,000	960,240	465,000	272,225	3,442,465
2028-2032	9,450,000	3,918,102	1,115,000	1,186,700	15,669,802
2033-2037	5,425,000	2,453,741	1,775,000	910,400	10,564,141
2038-2042	3,725,000	1,834,865	2,025,000	542,100	8,126,965
2043-2047	4,420,000	1,134,772	1,695,000	138,900	7,388,672
2048-2052	4,150,000	299,648	-	-	4,449,648
Total	\$ 34,255,000	\$ 14,805,002	\$ 9,635,000	\$ 4,384,320	\$ 63,079,322

	Business-type Activities					
Year Ending September 30,	Certificates of Obligation		Total Requirements			
	Revenue Supported					
	Principal	Interest				
2023						
2024	\$	1,620,000	\$	374,589	\$	1,994,589
2025		1,515,000		360,185		1,875,185
2026		1,530,000		347,747		1,877,747
2027		1,540,000		334,546		1,874,546
2028-2032		1,560,000		320,112		1,880,112
2033-2037		7,645,000		1,346,424		8,991,424
2038-2042		6,560,000		890,389		7,450,389
2043-2047		5,285,000		339,113		5,624,113
2048-2052		1,540,000		84,655		1,624,655
		<u>965,000</u>		<u>11,898</u>		<u>976,898</u>
Total						
	\$	<u>29,760,000</u>	\$	<u>4,409,658</u>	\$	<u>34,169,658</u>

Notes Payable

As of September 30, 2022, the City's notes payable consisted of the following:

On October 1, 2018, the City entered into a \$936,000 note payable with a financial institution for the purchase of a 2018 Spartan 10 RMT ladder truck. Annual payments begin on October 15, 2019, with the last payment due on October 15, 2023. Interest is paid annually at 3.09%. As of September 30, 2022, the balance on the note was \$392,033.

On December 1, 2019, the City entered into a \$2,255,000 note payable with a financial institution for the acquisition of equipment and vehicles for the street and waterworks and sewer system departments and the construction and improvement of park facilities. Annual payments begin on August 15, 2020, with the last payment due on August 15, 2026. Interest is paid annually at 1.975%. As of September 30, 2022, the balance on the note was \$1,035,000.

During fiscal year 2022, the City entered into a \$194,818 note payable with a financial institution for the acquisition of a dump truck for use in the streets department. Annual payments begin in 2022 and the note matures in 2024. Interest is paid annually at 2.8%. As of September 30, 2022, the balance on the note was \$114,971.

All notes payable are classified as direct borrowings and are secured by the purchased assets.

Future maturities and amounts paid under the notes after September 30, 2022, are as follows:

Year Ending September 30,	Principal	Interest
2023	\$ 545,137	\$ 35,774
2024	481,867	22,178
2025	255,000	10,171
2026	<u>260,000</u>	<u>5,135</u>
Total	\$ 1,542,004	\$ 73,258

Leases Payable

The city has entered into a master lease agreement with Enterprise Fleet Management for the lease of various City fleet vehicles. During fiscal year 2022, the City had 68 vehicles leased under the master agreement. All leased vehicles are for a 60-month period. The leases are paid in monthly installments and range from \$275 to \$1,226. Interest rates range between 3.67% and 7.71%.

During the current year, the City leased 13 new vehicles amounting to \$319,808 at an average interest rate of 6.12%.

Future principal and interest lease payments as of September 30, 2022, are as follows for the governmental activities:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total Requirements
2023	\$ 379,450	\$ 40,052	\$ 419,502
2024	294,414	23,976	318,390
2025	199,696	12,320	212,016
2026	122,698	4,835	127,533
2027	<u>34,742</u>	<u>657</u>	<u>35,399</u>
Totals	\$ <u>1,031,000</u>	\$ <u>81,840</u>	\$ <u>1,112,840</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 1,972,988	\$ 1,080,250	\$ 433,839	\$ 2,619,399	\$ 523,880
Notes payable -					
direct borrowing	1,959,281	194,818	612,095	1,542,004	545,137
Certificates of obligation	35,380,000	-	1,125,000	34,255,000	1,205,000
Intergovernmental payable	7,763,881	-	-	7,763,881	-
General obligation bonds	10,565,000	-	930,000	9,635,000	735,000
Bond issuance premium	3,696,307	-	138,849	3,557,458	-
Leases payable	1,093,946	319,808	382,754	1,031,000	379,450
Developer agreement payable	<u>90,500</u>	<u>-</u>	<u>-</u>	<u>90,500</u>	<u>-</u>
Governmental activities long-term liabilities	<u>62,521,903</u>	<u>1,594,876</u>	<u>3,622,537</u>	<u>60,494,242</u>	<u>3,388,467</u>
Business-type activities					
Compensated absences	61,048	95,865	45,379	111,534	22,307
Certificates of obligation -					
direct borrowing	<u>31,355,000</u>	<u>-</u>	<u>1,595,000</u>	<u>29,760,000</u>	<u>1,620,000</u>
Business-type activities long-term liabilities	<u>\$ 31,416,048</u>	<u>\$ 95,865</u>	<u>\$ 1,640,379</u>	<u>\$ 29,871,534</u>	<u>\$ 1,642,307</u>

Intergovernmental Payable

The City entered into an agreement to partner with Kaufman County, Texas to perform State highway projects. They are the Spur 557 frontage roads and ramps along with improvements to FM 148 North. The County has agreed to assist with funds from their 2014 bond issuance. The County will advance funds not to exceed \$8.5 million for the aforementioned projects. The City will reimburse these funds with grant money from the Texas Department of Transportation contract that will be available upon conclusion of the two projects. Kaufman County has funded the City \$7,763,881 as of September 30, 2022.

Contingent Liabilities

The City is defendant in various lawsuits. Although the outcome of the lawsuits is not presently determinable, in the opinion of the City Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for the year ended September 30, 2022, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

On November 28, 1997, the City was issued an Administrative Order from Region VI of the U. S. Environmental Protection Agency ("EPA") for apparent violations of the City's National Pollution Discharge Elimination System Permit ("NPDES" Permit) for exceeding the allowable amount of silver, which could be discharged from the City's wastewater treatment plant. Failure of the City to comply with the Order could result in substantial penalties being assessed against the City.

Insurance Plan

The City has established an insurance plan for health care benefits that pays 100% of employee claims limited to \$50,000 per employee and \$1,300,000 in aggregate. The City has insured claims in excess of plan limits. Accrued claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid each claimant. The provision for claims incurred but not yet reported is estimated based on the City's experience. Claims liabilities are reevaluated periodically to take into consideration settlement of claims, new claims, and other factors. As of September 30, 2022, the estimated value of these liabilities was \$8,729.

Employee Retirement Systems and Pension Plans

Plan Description

The City participates as one of 901 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 agency 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 Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 2010, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating
Cost of living adjustments (COLA) for retirees	70% of consumer price index (CPI) repeating

Employees covered by benefit terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries current receiving benefits	141
Inactive employees entitled to but not yet received benefits	70
Active employees	<u>187</u>
	<u>398</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 with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City was 16.26% and 16.25% in calendar years 2021 and 2022 respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$2,140,788 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75% net of pension plan expense including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2018 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% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuarial firm focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2020	\$ 66,326,773	\$ 59,720,870	\$ 6,605,903
Changes for the year:			
Service cost	2,189,879	-	2,189,879
Interest	4,456,768	-	4,456,768
Difference between expected and actual experience	1,203,390	-	1,203,390
Change in assumptions	-		
Contributions - employer	-	1,988,024	(1,988,024)
Contributions - employee	-	855,699	(855,699)
Net investment income	-	7,788,524	(7,788,524)
Benefits payments, including refunds of employee contributions	(2,791,027)	(2,791,027)	-
Administrative expense	-	(36,023)	36,023
Other change	-	247	(247)
Net changes	<u>5,059,010</u>	<u>7,805,444</u>	<u>(2,746,434)</u>
Balance at 12/31/2021	<u>\$ 71,385,783</u>	<u>\$ 67,526,314</u>	<u>\$ 3,859,469</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%) of 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in in Discount Rate (7.75%)
City's net pension liability	\$ 13,954,766	\$ 3,859,469	\$ (4,428,832)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2022, the City recognized pension expense of \$707,532. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,339,102	\$ 24,392
Changes in actuarial assumptions	23,766	-
Difference between projected and actual investment earnings	-	4,003,644
Contributions subsequent to the measurement date	<u>1,572,566</u>	<u>-</u>
Totals	<u>\$ 2,935,434</u>	<u>\$ 4,028,036</u>

\$1,572,566 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the Year Ended September 30,	
2023	\$(320,853)
2024	(1,290,354)
2025	(516,247)
2026	(537,713)

Defined Other Post-Employment Benefit (OPEB) Plans

TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	102
Inactive employees entitled to but not yet receiving benefits	21
Active employees	187
Total	<u>310</u>

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.27% for 2021 and 0.27% for 2022, of which 0.17% for 2021 and 0.17% for 2022 represented the retiree-only portion for both years, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2021 and 2022 were \$30,123 and \$35,564, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions. The Total OPEB Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Measurement year ended December 31,	2021
Inflation rate	2.50%
Discount rate	1.84%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.5% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females.

In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Changes in assumptions reflect the annual change in the municipal bond rate.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 1.84% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.84%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB Liability	\$ 1,066,862	\$ 877,190	\$ 731,620

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs.

At September 30, 2022, the City reported a liability of \$877,190 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2021. For the year ended September 30, 2022, the City recognized OPEB expense of \$89,091. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2020	\$ 841,219
Changes for the year:	
Service cost	39,149
Interest	17,008
Difference between expected and actual experience	(25,252)
Changes of assumptions	25,864
Benefit payments	(20,798)
Net changes	35,971
Balance at 12/31/2021	\$ 877,190

In the governmental activities, the total OPEB liability is generally liquidated by the General Fund.

Changes in assumptions reflect a change in the discount rate from 2.00% to 1.84%.

At September 30, 2022, the City reported deferred outflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,644	\$ 25,618
Changes in actuarial assumptions	156,963	13,730
Contributions subsequent to the measurement date	<u>16,451</u>	<u>-</u>
Totals	<u>\$ 175,058</u>	<u>\$ 39,348</u>

\$16,451 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

For the Year Ended September 30,		
2023	\$	32,936
2024		28,515
2025		30,879
2026		20,158
2027		6,749
Thereafter		22

Other Post-Employment Benefit (OPEB) Plans

Retiree Health Insurance Plan

Plan Description. The City sponsors a Retiree Health Insurance Benefits Plan (the "Plan"). The Plan provides these other post-employment benefits ("OPEB") for retired employees and their eligible dependents through a self-insured PPO plan. Employees qualifying for retirement from the City may receive City paid health coverage for up to seven years after they have retired or reached age 65, whichever occurs first. Employees become eligible to elect retiree coverage at age 55, with the last 20 years employed by the City, or 20 years total with the last 10 years employed by the City. Additionally, employees must have an accumulated 20 years of TMRS service without regard to age. The City pays the full monthly contribution for individual coverage. The retiree pays the full monthly contribution for any dependent coverage elected. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	9
Active employees	114
Active employees with dependant coverage	<u>74</u>
Total	<u>197</u>

Actuarial Methods and Assumptions. Significant methods and assumptions were as follows:

Actuarial Valuation Date	September 30, 2022
Actuarial Cost Method	Individual Entry Age Normal Cost Method - Level Percentage of Projected Salary.
Discount Rate	4.77%
Inflation Rate	2.50%
Salary Scale	3.50%
Demographic Assumptions	Based on the actuarial assumptions used in the 2017 actuarial report for the Texas Municipal Retirement System ("TMRS").
Mortality	RPH-2014 Total Table with Projection MP-2021
Health care cost trend rates	Level 4.50% for medical.
Participation rates	100% of all retirees who currently have healthcare coverage will continue with the same coverage. 100% of all actives who currently have healthcare coverage will continue with employee only coverage upon retirement.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

A Single Discount Rate of 4.77% was used to measure the total OPEB liability. This Single Discount Rate was based on the municipal bond rates as of the measurement date. The source of the municipal bond rate was the Bond Buyer GO Bond 20 Index.

Changes in the Total OPEB Liability. The County's total OPEB liability of \$4,780,012 was measured as of September 30, 2022 and was determined by an actuarial valuation as of September 30, 2021 rolled forward to September 30, 2022.

	Total OPEB Liability
Balance at 10/01/2021	\$ 4,267,736
Changes for the year:	
Service cost	207,676
Interest on the total OPEB liability	97,956
Differences between expected and actual experience	1,551,539
Changes in assumptions	(1,101,235)
Benefit payments	(243,660)
Net changes	512,276
Balance at 09/30/2022	\$ 4,780,012

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.77%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (3.77%)	Discount Rate (4.77%)	1% Increase in Discount Rate (5.77%)
City's total OPEB liability	\$ 5,191,164	\$ 4,780,012	\$ 4,404,613

Healthcare Cost Trend Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the total OPEB liability.

	1% Decrease	Current Healthcare Cost Cost Trend Rate Assumption	1% Increase
City's total OPEB liability	\$ 4,309,480	\$ 4,780,012	\$ 5,324,588

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB. For the year ended September 30, 2022, the County recognized OPEB expense of \$345,642. At September 30, 2022, the City reported deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,327,974	\$ 18,141
Changes in actuarial assumptions	-	1,023,657
Total	\$ 1,327,974	\$ 1,041,798

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

For the Year Ended September 30,		
2023	\$	40,013
2024		40,013
2025		40,013
2026		40,261
2027		64,884
Thereafter		60,992

Risk Management

The City is exposed to risk of loss due to injuries incurred by employees while performing work-related duties. The City provides workers' compensation insurance coverage with the Texas Municipal League, which provides statutory coverage against potential losses.

The City is exposed to various risks of loss related to torts, damage to, and destruction of assets; errors and omissions and natural disasters. A comprehensive insurance plan for property and casualty and general liability coverage has been established with the Texas Municipal League.

Commitments

During the fiscal year ended September 30, 2005, the City entered into an agreement with North Texas Municipal Water District (the "District"). Under the agreement, the District has agreed to acquire property and construct a transmission line in order to sell water to the City. As part of the agreement, the project will be financed by a bond issue in the amount of \$12,470,000 issued in the name of the District. The District is responsible for the cost of the project only to the extent of the bond issue and any additional construction costs are the responsibility of the City. During the construction phase, the City is responsible for the monthly transfer of funds to the District in order to pay the debt service obligation of the bonds and to fund any necessary reserve funds established by the bond ordinance. Upon completion of the project, the rights, title and interest in the project will rest irrevocably with the City. This transaction shall result in the automatic sale and delivery of the project to the City in consideration of the agreement of the City to perform its obligations under the agreement.

Subsequent Event

On January 2, 2023 the City issued Combination Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2023A in the amount of \$3,215,000 for the purpose of constructing and improving the City's sewer system and the acquisition of land and rights-of-way.

On January 2, 2023 the City issued Combination Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2023B in the amount of \$7,805,000 for the purpose of constructing and improving the City's waterworks system and the acquisition of land and rights-of-way.

Implementation of New Accounting Statements

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will be implemented in fiscal year 2023 and the impact has not yet been determined.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be implemented in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* – The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

Prior Period Adjustment

During fiscal year 2022, it was determined that certain amounts expensed in prior years were actually related to an ongoing construction project at the City airport. Recognizing the related capital asset in the Airport Fund in the amount of \$246,143 resulted in an increase in beginning net position in that fund and of the business-type activities.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF TERRELL, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Measurement Date December 31,	2014	2015
A. Total pension liability		
Service cost	\$ 1,424,738	\$ 1,550,353
Interest (on the Total Pension Liability)	3,206,624	3,375,957
Difference between expected and actual experience	(223,375)	(848,603)
Change of assumptions	-	(239,310)
Benefit payments, including refunds of employee contributions	(2,080,054)	(2,023,443)
Net change in total pension liability	2,327,933	1,814,954
Total pension liability - beginning	<u>46,136,568</u>	<u>48,464,501</u>
Total pension liability - ending (a)	<u>\$ 48,464,501</u>	<u>\$ 50,279,455</u>
B. Plan fiduciary net position		
Contributions - employer	\$ 1,499,857	\$ 1,553,257
Contributions - employee	592,009	624,423
Net investment income	2,197,994	59,920
Benefit payments, including refunds of employee contributions	(2,080,054)	(2,023,443)
Administrative expenses	(22,947)	(36,495)
Other	(1,887)	(1,803)
Net change in plan fiduciary net position	2,184,972	175,859
Plan fiduciary net position - beginning	<u>38,420,455</u>	<u>40,605,427</u>
Plan fiduciary net position - ending (b)	<u>\$ 40,605,427</u>	<u>\$ 40,781,286</u>
C. Net pension liability - ending (a) - (b)	\$ 7,859,074	\$ 9,498,169
D. Plan fiduciary net position as a percentage of total pension liability	83.78%	81.11%
E. Covered payroll	\$ 8,457,269	\$ 8,920,328
F. Net position liability as a percentage of covered payroll	92.93%	106.48%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

2016	2017	2018	2019	2020	2021
\$ 1,678,902	\$ 1,690,413	\$ 1,740,224	\$ 1,875,502	\$ 2,112,764	\$ 2,189,879
3,388,307	3,593,692	3,749,962	3,949,658	4,191,275	4,456,768
(22,007)	(759,364)	(77,119)	368,409	408,073	1,203,390
-	-	-	63,375	-	-
(1,843,541)	(2,172,881)	(2,296,201)	(2,748,295)	(2,843,830)	(2,791,027)
3,201,661	2,351,860	3,116,866	3,508,649	3,868,282	5,059,010
<u>50,279,455</u>	<u>53,481,116</u>	<u>55,832,976</u>	<u>58,949,842</u>	<u>62,458,491</u>	<u>66,326,773</u>
\$ <u>53,481,116</u>	\$ <u>55,832,976</u>	\$ <u>58,949,842</u>	\$ <u>62,458,491</u>	\$ <u>66,326,773</u>	\$ <u>71,385,783</u>
\$ 1,630,137	\$ 1,554,002	\$ 1,607,993	\$ 1,669,130	\$ 1,876,806	\$ 1,988,024
665,100	665,517	689,003	745,515	826,220	855,699
2,756,646	6,094,066	(1,500,162)	7,506,432	4,226,478	7,788,524
(1,843,541)	(2,172,881)	(2,296,201)	(2,748,295)	(2,843,830)	(2,791,027)
(31,126)	(31,574)	(28,984)	(42,397)	(27,340)	(36,023)
(1,677)	(1,600)	(1,515)	(1,274)	(1,064)	247
3,175,539	6,107,530	(1,529,866)	7,129,111	4,057,270	7,805,444
<u>40,781,286</u>	<u>43,956,825</u>	<u>50,064,355</u>	<u>48,534,489</u>	<u>55,663,600</u>	<u>59,720,870</u>
\$ <u>43,956,825</u>	\$ <u>50,064,355</u>	\$ <u>48,534,489</u>	\$ <u>55,663,600</u>	\$ <u>59,720,870</u>	\$ <u>67,526,314</u>
\$ 9,524,291	\$ 5,768,621	\$ 10,415,353	\$ 6,794,891	\$ 6,605,903	\$ 3,859,469
82.19%	89.67%	82.33%	89.12%	90.04%	94.59%
\$ 9,501,425	\$ 9,507,385	\$ 9,842,896	\$ 10,650,208	\$ 11,803,150	\$ 12,233,958
100.24%	60.68%	105.82%	63.80%	55.97%	31.55%

CITY OF TERRELL, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Fiscal Year Ended September 30,	2014	2015	2016
Actuarial determined contribution	\$ 1,477,697	\$ 1,530,795	\$ 1,675,988
Contributions in relation to the actuarially determined contribution	(1,477,697)	(1,530,795)	(1,675,988)
Contribution deficiency (excess)	-	-	-
Covered payroll	8,411,237	8,746,456	9,707,751
Contributions as a percentage of covered payroll	17.57%	17.50%	17.26%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	10 Year smoothed fair value; 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.

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

2017	2018	2019	2020	2021	2022
\$ 1,628,132	\$ 1,599,025	\$ 1,688,716	\$ 1,790,713	\$ 1,914,975	\$ 2,140,788
(1,628,132)	(1,599,025)	(1,688,716)	(1,790,713)	(1,914,975)	(2,140,788)
-	-	-	-	-	-
9,523,303	9,784,285	10,435,005	11,292,256	11,847,344	13,171,931
17.10%	16.34%	16.18%	15.86%	16.16%	16.25%

CITY OF TERRELL, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Measurement Date December 31,	2017	2018	2019
A. Total OPEB liability			
Service Cost	\$ 21,867	\$ 25,592	\$ 22,365
Interest (on the Total OPEB Liability)	18,331	18,622	20,767
Difference between expected and actual experience	-	(2,281)	3,162
Changes of assumptions	40,431	(37,510)	102,471
Benefit payments, including refunds of employee contributions	(4,754)	(4,921)	(6,389)
Net change in Total OPEB liability	75,875	(498)	142,376
Total OPEB liability - beginning	<u>476,398</u>	<u>552,273</u>	<u>551,775</u>
Total OPEB liability - ending (a)	<u>552,273</u>	<u>551,775</u>	<u>694,151</u>
B. Covered-employee payroll	\$ 9,507,385	\$ 9,842,896	\$ 10,650,208
C. Total OPEB liability as a percentage of covered-employee payroll	5.81%	5.61%	6.52%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Note: The changes of assumptions generally includes the annual change in the municipal bond index rate.

<u>2020</u>	<u>2021</u>
\$ 33,048	\$ 39,149
19,446	17,008
(5,223)	(25,252)
106,879	25,864
(<u>7,082</u>)	(<u>20,798</u>)
147,068	35,971
<u>694,151</u>	<u>841,219</u>
<u>841,219</u>	<u>877,190</u>
\$ 11,803,150	\$ 12,233,958
7.13%	7.17%

CITY OF TERRELL, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
RETIREE HEALTHCARE PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Measurement Date September 30,	2018	2019	2020
A. Total OPEB liability			
Service Cost	\$ 149,830	\$ 155,913	\$ 155,913
Interest (on the Total OPEB Liability)	161,550	161,063	172,687
Differences between expected and actual experiences	-	-	(31,779)
Changes in assumptions	-	-	(142,084)
Benefit payments, including refunds of employee contributions	(165,999)	(181,092)	(192,104)
Net change in Total OPEB liability	145,381	135,884	(37,367)
Total OPEB liability - beginning	<u>3,912,241</u>	<u>4,057,622</u>	<u>4,193,506</u>
Total OPEB liability - ending (a)	<u>4,057,622</u>	<u>4,193,506</u>	<u>4,156,139</u>
B. Covered-employee payroll			
	\$ 9,169,796	\$ 9,169,796	\$ 10,205,273
C. Total OPEB liability as a percentage of covered-employee payroll			
	44.25%	45.73%	40.73%

Note: This schedule is required to have 10 years of information, but the information prior to 2018 is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

<u>2021</u>	<u>2022</u>
\$ 207,676 96,025	\$ 207,676 97,956
-	1,551,539
-	(1,101,235)
(192,104)	(243,660)
111,597	512,276
<u>4,156,139</u>	<u>4,267,736</u>
<u>4,267,736</u>	<u>4,780,012</u>
\$ 10,205,273	\$ 13,106,601
41.82%	36.47%

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COMBINING STATEMENTS

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NONMAJOR GOVERNMENTAL FUNDS

Tourism Fund – to account for expenditures designated for the promotion of local tourism. Resources are provided from the collection of hotel/motel occupancy tax revenues.

Infrastructure Improvements – to account for street and utility service construction for Pioneer Terraces multifamily housing subdivision.

Impact Fees Fund – to account for fees charged on developments in order to improve current existing infrastructure.

Park Land/Park Dedication Fees Fund – to account for fees charged on new residential construction for future parks development.

Grant HRA – to account for funds received through the HRA Grant.

Courthouse Technology – to account for fees restricted for courthouse technology expenditures.

Courthouse Security – to account for fees restricted for courthouse security expenditures.

C.O. Tax and Revenue Series 2004 Fund – is a Capital Projects Fund used to account for construction projects funded by the Series 2004 Bond issuance.

TCDP Grant – to account for programs within the TCDP Grant.

Pavilion Rentals – to account for fees charged for the use of City pavilions.

Police Federal Awards – to account for federal programs involving the Terrell Police Department.

Edward Byrne Justice Assistance Grant – to account for funds and expenditures under the Bullet Proof Vest program.

CO 2014 Bond – to account for funds received from the issuance of the Certificates of Obligation 2014.

CO 2018 Bond – to account for funds received from the issuance of the Certificates of Obligation 2018.

CO 2021 Bond – to account for the funds received from the issuance of the Certificates of Obligation 2021.

Public Improvement District – to account for funds used to pay for detention or retention pond maintenance at Market Center Cross Roads.

Pedestrian Improvements Grant – to account for the Pedestrian Improvements Grant through HUD.

Grant 721440 – to account for the Community Development Block Grant through HUD.

FEMA – to account for the FEMA grant through the U.S. Department of Homeland Security.

Debt Service – to account for taxes levied through the I & S rate and the associated expenditures of those funds.

Information Technology – provides network, internet, software, and hardware infrastructures, systems and services that supports all Departments of the City of Terrell.

Market Center – is a public improvement district located east of FM148 development near Spur 557 and HWY 20. Property owners pay special assessments for improvements and services within this area.

Cross Roads – is a public improvement district located west of FM148 development near Spur 557 and HWY 20. Property owners pay special assessments for improvements and services within this area.

Downtown Maintenance. & Operations – accounts for funds collected and utilized for maintenance and improvements to the downtown area.

CITY OF TERRELL, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	Tourism	Infrastructure Improvements	Impact Fees	Park Land/Park Dedication Fees
ASSETS				
Cash and cash equivalents	\$ 1,160,092	\$ 1,794,342	\$ 1,163,205	\$ 1,791,245
Taxes receivable, net	-	-	-	-
Due from other funds	-	341,303	949,750	50,250
Total assets	\$ 1,160,092	\$ 2,135,645	\$ 2,112,955	\$ 1,841,495
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 37,980
Due to other funds	-	11,115	207,352	-
Unearned revenue	-	-	-	-
Total liabilities	-	11,115	207,352	37,980
DEFERRED INFLOWS OF RESOURCES				
Taxes	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Restricted	1,160,092	2,124,530	1,905,603	1,803,515
Unassigned	-	-	-	-
Total fund balances	1,160,092	2,124,530	1,905,603	1,803,515
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,160,092	\$ 2,135,645	\$ 2,112,955	\$ 1,841,495

Grant HRA	Courthouse Technology	Courthouse Security	Certificates of Obligation Tax and Revenue Series 2004	TCDP Grant	Pavilion Rentals	Police Federal Awards
\$ 37,106	\$ 43,733	\$ 45,237	\$ -	\$ 7	\$ 26,142	\$ 397
-	-	-	-	-	-	-
-	-	-	-	-	448	-
\$ 37,106	\$ 43,733	\$ 45,237	\$ -	\$ 7	\$ 26,590	\$ 397
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,000	2,329	2,250	16,400	169,221	-	-
-	-	-	-	-	-	-
5,000	2,329	2,250	16,400	169,221	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
32,106	41,404	42,987	-	-	26,590	397
-	-	-	(16,400)	(169,214)	-	-
32,106	41,404	42,987	(16,400)	(169,214)	26,590	397
\$ 37,106	\$ 43,733	\$ 45,237	\$ -	\$ 7	\$ 26,590	\$ 397

CITY OF TERRELL, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

SEPTEMBER 30, 2022

	Edward Byrne Justice Assistance Grant	CO 2014 Bond	CO 2018 Bond	CO 2021 Bond
ASSETS				
Cash and cash equivalents	\$ 1,118	\$ 6,822	\$ 333,296	\$ 156,526
Taxes receivable, net	-	-	-	-
Due from other funds	<u>200</u>	<u>90,000</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,318</u>	<u>\$ 96,822</u>	<u>\$ 333,296</u>	<u>\$ 156,526</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 41,296
Due to other funds	-	-	250,000	597,167
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>638,463</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	1,318	96,822	83,296	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(481,937)</u>
Total fund balances	<u>1,318</u>	<u>96,822</u>	<u>83,296</u>	<u>(481,937)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,318</u>	<u>\$ 96,822</u>	<u>\$ 333,296</u>	<u>\$ 156,526</u>

Fire Grants	Public Improvement District	Pedestrian Improvements Grant	Grant 721440	FEMA	Debt Service	Harvard Scholarship	Information Technology
\$ 1	\$ 47,764	\$ 59	\$ 34	\$ 2,732,245	\$ 1,055,142	\$ -	\$ -
-	-	-	-	-	112,631	-	-
<u>7,847</u>	<u>-</u>	<u>119,364</u>	<u>-</u>	<u>166,467</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>7,848</u>	\$ <u>47,764</u>	\$ <u>119,423</u>	\$ <u>34</u>	\$ <u>2,898,712</u>	\$ <u>1,167,773</u>	\$ <u>-</u>	\$ <u>-</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174,392
-	27,975	-	-	2,623,327	4,167	-	115,511
-	-	-	-	-	-	-	212,015
<u>-</u>	<u>27,975</u>	<u>-</u>	<u>-</u>	<u>2,623,327</u>	<u>4,167</u>	<u>-</u>	<u>501,918</u>
-	-	-	-	-	98,321	-	-
-	-	-	-	-	98,321	-	-
7,848	19,789	119,423	34	275,385	1,065,285	-	-
-	-	-	-	-	-	-	(501,918)
<u>7,848</u>	<u>19,789</u>	<u>119,423</u>	<u>34</u>	<u>275,385</u>	<u>1,065,285</u>	<u>-</u>	<u>(501,918)</u>
\$ <u>7,848</u>	\$ <u>47,764</u>	\$ <u>119,423</u>	\$ <u>34</u>	\$ <u>2,898,712</u>	\$ <u>1,167,773</u>	\$ <u>-</u>	\$ <u>-</u>

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CITY OF TERRELL, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

SEPTEMBER 30, 2022

	Market Center	Cross Roads	Downtown Maint. & Op.	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 83,743	\$ 19,813	\$ 403,242	\$ 10,901,311
Taxes receivable, net	-	-	-	112,631
Due from other funds	<u>29,060</u>	<u>-</u>	<u>-</u>	<u>1,754,689</u>
Total assets	\$ <u>112,803</u>	\$ <u>19,813</u>	\$ <u>403,242</u>	\$ <u>12,768,631</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 253,668
Due to other funds	-	-	-	4,031,814
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,015</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,497,497</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,321</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,321</u>
FUND BALANCES				
Restricted	112,803	19,813	403,242	9,342,282
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,169,469)</u>
Total fund balances	<u>112,803</u>	<u>19,813</u>	<u>403,242</u>	<u>8,172,813</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>112,803</u>	\$ <u>19,813</u>	\$ <u>403,242</u>	\$ <u>12,768,631</u>

CITY OF TERRELL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Tourism	Infrastructure Improvements	Impact Fees	Park Land/Park Dedication Fees
REVENUES				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Hotel/motel occupancy taxes	757,816	-	-	-
Fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	1,396,753	871,480	960,728
Investment earnings	-	-	627	-
Total revenues	<u>757,816</u>	<u>1,396,753</u>	<u>872,107</u>	<u>960,728</u>
EXPENDITURES				
Current:				
General government	322,713	314,266	79,553	-
Culture and recreation	-	-	-	100,774
Capital outlay	-	74,751	-	71,182
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>322,713</u>	<u>389,017</u>	<u>79,553</u>	<u>171,956</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>435,103</u>	<u>1,007,736</u>	<u>792,554</u>	<u>788,772</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(408,009)	(22,917)	-
Total other financing sources and uses	<u>-</u>	<u>(408,009)</u>	<u>(22,917)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	435,103	599,727	769,637	788,772
FUND BALANCES, BEGINNING	<u>724,989</u>	<u>1,524,803</u>	<u>1,135,966</u>	<u>1,014,743</u>
FUND BALANCES, ENDING	<u>\$ 1,160,092</u>	<u>\$ 2,124,530</u>	<u>\$ 1,905,603</u>	<u>\$ 1,803,515</u>

Grant HRA	Courthouse Technology	Courthouse Security	Certificates of Obligation Tax and Revenue Series 2004	TCDP Grant	Pavilion Rentals	Police Federal Awards
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	5,782	7,531	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	48	-
-	5,782	7,531	-	-	48	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5,782	7,531	-	-	48	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5,782	7,531	-	-	48	-
32,106	35,622	35,456	(16,400)	(169,214)	26,542	397
\$ 32,106	\$ 41,404	\$ 42,987	\$ (16,400)	\$ (169,214)	\$ 26,590	\$ 397

CITY OF TERRELL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Edward Byrne Justice Assistance Grant	CO 2014 Bond	CO 2018 Bond	CO 2021 Bond
REVENUES				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Hotel/motel occupancy taxes	-	-	-	-
Fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	857	-	562	-
Total revenues	<u>857</u>	<u>-</u>	<u>562</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	2,122,861
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,122,861</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>857</u>	<u>-</u>	<u>562</u>	<u>(2,122,861)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	857	-	562	(2,122,861)
FUND BALANCES, BEGINNING	<u>461</u>	<u>96,822</u>	<u>82,734</u>	<u>1,640,924</u>
FUND BALANCES, ENDING	<u>\$ 1,318</u>	<u>\$ 96,822</u>	<u>\$ 83,296</u>	<u>\$ (481,937)</u>

Fire Grants	Public Improvement District	Pedestrian Improvements Grant	Grant 721440	FEMA	Debt Service	Information Technology
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,456,928	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	287,985
-	-	-	-	-	-	-
-	-	-	-	3,852	8,212	-
-	-	-	-	3,852	2,465,140	287,985
-	-	-	-	-	-	-
-	-	-	-	-	-	1,976,337
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	2,587,248	-
-	-	-	-	-	1,636,721	-
-	-	-	-	-	4,223,969	1,976,337
-	-	-	-	3,852	(1,758,829)	(1,688,352)
-	-	-	-	-	1,442,311	1,366,358
-	-	-	-	-	(117,963)	-
-	-	-	-	-	1,324,348	1,366,358
-	-	-	-	3,852	(434,481)	(321,994)
7,848	19,789	119,423	34	271,533	1,499,766	(179,924)
\$ 7,848	\$ 19,789	\$ 119,423	\$ 34	\$ 275,385	\$ 1,065,285	\$ (501,918)

CITY OF TERRELL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Market Center	Cross Roads	Downtown Maint. & Op.	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 2,456,928
Hotel/motel occupancy taxes	-	-	-	757,816
Fees and fines	-	-	-	13,313
Intergovernmental	-	-	-	287,985
Charges for services	31,111	54,028	-	3,314,100
Investment earnings	<u>259</u>	<u>16</u>	<u>8</u>	<u>14,441</u>
Total revenues	<u>31,370</u>	<u>54,044</u>	<u>8</u>	<u>6,844,583</u>
EXPENDITURES				
Current:				
General government	41,525	80,518	-	2,814,912
Culture and recreation	-	-	-	100,774
Capital outlay	-	-	-	2,268,794
Debt Service:				
Principal	-	-	-	2,587,248
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,636,721</u>
Total expenditures	<u>41,525</u>	<u>80,518</u>	<u>-</u>	<u>9,408,449</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,155)</u>	<u>(26,474)</u>	<u>8</u>	<u>(2,563,866)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	50,000	-	2,878,669
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(548,889)</u>
Total other financing sources and uses	<u>20,000</u>	<u>50,000</u>	<u>-</u>	<u>2,329,780</u>
NET CHANGE IN FUND BALANCES	9,845	23,526	8	(234,086)
FUND BALANCES, BEGINNING	<u>102,958</u>	<u>(3,713)</u>	<u>403,234</u>	<u>8,406,899</u>
FUND BALANCES, ENDING	\$ <u>112,803</u>	\$ <u>19,813</u>	\$ <u>403,242</u>	\$ <u>8,172,813</u>

INTERNAL SERVICE FUNDS

Insurance Fund – to account for the receipt and disbursement of medical insurance expenditures and related payments from other funds.

Equipment Replacement Fund – to account for the acquisition, maintenance and other operation expenses of the City's fleet assets. Revenues are generated from the rental of equipment to various departments within the City.

CITY OF TERRELL, TEXAS

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

	<u>Insurance</u>	<u>Equipment Replacement</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,229,025	\$ 471,841	\$ 4,700,866
Total current assets	<u>4,229,025</u>	<u>471,841</u>	<u>4,700,866</u>
Non-current assets:			
Capital assets:			
Vehicles and equipment	-	5,180,380	5,180,380
Right to use - vehicles and equipment		2,070,382	2,070,382
Accumulated depreciation	-	(4,592,485)	(4,592,485)
Total non-current assets	<u>-</u>	<u>2,658,277</u>	<u>2,658,277</u>
Total assets	<u>4,229,025</u>	<u>3,130,118</u>	<u>7,359,143</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	-	46,380	46,380
Deferred outflows - supplemental death benefits	-	2,958	2,958
Deferred outflows - retiree health	<u>-</u>	<u>22,443</u>	<u>22,443</u>
Total deferred outflows of resources	<u>-</u>	<u>71,781</u>	<u>71,781</u>
LIABILITIES			
Current liabilities:			
Accounts payable	8,729	-	8,729
Due to other funds	78,967	1,980	80,947
Other accrued expenses	-	9,169	9,169
Compensated absences	-	2,151	2,151
Leases payable	-	379,450	379,450
Notes payable	-	82,103	82,103
Total OPEB liability - TMRS SDBF	-	378	378
Total OPEB liability - retiree health	<u>-</u>	<u>4,118</u>	<u>4,118</u>
Total current liabilities	<u>87,696</u>	<u>479,349</u>	<u>567,045</u>
Non-current liabilities:			
Compensated absences	-	8,604	8,604
Leases payable	-	651,550	651,550
Notes payable	-	32,868	32,868
Net pension liability	-	60,980	60,980
Total OPEB liability - TMRS SDBF	-	14,447	14,447
Total OPEB liability - retiree health	<u>-</u>	<u>76,664</u>	<u>76,664</u>
Total non-current liabilities	<u>-</u>	<u>845,113</u>	<u>845,113</u>
Total liabilities	<u>87,696</u>	<u>1,324,462</u>	<u>1,412,158</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	-	63,643	63,643
Deferred inflows - supplemental death benefits	-	665	665
Deferred inflows - retiree health	<u>-</u>	<u>17,606</u>	<u>17,606</u>
Total deferred inflows of resources	<u>-</u>	<u>81,914</u>	<u>81,914</u>
NET POSITION			
Net investment in capital assets	-	1,512,306	1,512,306
Unrestricted	<u>4,141,329</u>	<u>283,217</u>	<u>4,424,546</u>
Total net position	<u>\$ 4,141,329</u>	<u>\$ 1,795,523</u>	<u>\$ 5,936,852</u>

CITY OF TERRELL, TEXAS

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Insurance</u>	<u>Equipment Replacement</u>	<u>Total</u>
OPERATING REVENUES			
Maintenance services	\$ -	\$ 1,533,408	\$ 1,533,408
Insurance premiums	4,065,840	-	4,065,840
Miscellaneous	<u>25,817</u>	<u>124,273</u>	<u>150,090</u>
Total operating revenues	<u>4,091,657</u>	<u>1,657,681</u>	<u>5,749,338</u>
OPERATING EXPENSES			
Personnel services	-	292,404	292,404
Miscellaneous services	-	429,644	429,644
Administrative fees	1,101,860	-	1,101,860
Repairs and maintenance	-	66,660	66,660
Supplies	-	403,671	403,671
Insurance claims and expenses	1,926,964	-	1,926,964
Depreciation	<u>-</u>	<u>580,580</u>	<u>580,580</u>
Total operating expenses	<u>3,028,824</u>	<u>1,772,959</u>	<u>4,801,783</u>
OPERATING INCOME (LOSS)	1,062,833	(115,278)	947,555
NON-OPERATING REVENUES (EXPENSES)			
Gain (loss) on disposal of assets	-	114,540	114,540
Investment earnings	10,667	-	10,667
Transfers in	-	6,388	6,388
Transfers out	<u>-</u>	<u>(104,773)</u>	<u>(104,773)</u>
Total non-operating revenue (expenses)	<u>10,667</u>	<u>(35,334)</u>	<u>(24,667)</u>
CHANGE IN NET POSITION	1,073,500	(150,612)	922,888
TOTAL NET POSITION, BEGINNING	<u>3,067,829</u>	<u>1,946,135</u>	<u>5,013,964</u>
TOTAL NET POSITION, ENDING	<u>\$ 4,141,329</u>	<u>\$ 1,795,523</u>	<u>\$ 5,936,852</u>

CITY OF TERRELL, TEXAS

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Insurance	Equipment Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 4,091,657	\$ 1,657,681	\$ 5,749,338
Cash paid for services and insurance claims	(3,296,763)	-	(3,296,763)
Cash paid to suppliers for goods and services	-	(926,588)	(926,588)
Cash paid to employees for services	-	(322,772)	(322,772)
Net cash provided by operating activities	<u>794,894</u>	<u>408,321</u>	<u>1,203,215</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from other funds	-	8,368	8,368
Cash paid to other funds	-	(104,773)	(104,773)
Net cash provided by noncapital financing activities	<u>-</u>	<u>(96,405)</u>	<u>(96,405)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(681,403)	(681,403)
Proceeds from sale of capital assets	-	114,540	114,540
Principal paid on long-term debt	-	(462,601)	(462,601)
Net cash used for capital and related financing activities	<u>-</u>	<u>(566,327)</u>	<u>(566,327)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	<u>10,667</u>	<u>-</u>	<u>10,667</u>
Net cash provided by investing activities	<u>10,667</u>	<u>-</u>	<u>10,667</u>
INCREASE IN CASH	805,561	(254,411)	551,150
CASH AND CASH EQUIVALENTS, BEGINNING	<u>3,423,464</u>	<u>726,252</u>	<u>4,149,716</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>4,229,025</u>	<u>471,841</u>	<u>4,700,866</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	1,062,833	(115,278)	947,555
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	-	580,580	580,580
Decrease (increase) in deferred outflows of resources	-	(34,748)	(34,748)
Increase (decrease) in accounts payable	(267,939)	(26,613)	(294,552)
Increase (decrease) in deferred inflows of resources	-	49,345	49,345
Increase (decrease) in net pension obligation	-	(50,660)	(50,660)
Increase (decrease) in total OPEB liability - TMRS SDBF	-	608	608
Increase (decrease) in total OPEB liability - retiree health	-	8,657	8,657
Increase (decrease) in accrued liabilities	-	(375)	(375)
Increase (decrease) in compensated absences	-	(3,195)	(3,195)
Net cash provided by operating activities	<u>\$ 794,894</u>	<u>\$ 408,321</u>	<u>\$ 1,203,215</u>