

CITY OF TERRELL, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

CITY OF TERRELL, TEXAS

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INTRODUCTORY SECTION



Rick Carmona
Mayor

July 10, 2022

Tim Royse
Mayor Pro Tem
District 5

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

Mayrani Velazquez
Deputy Mayor Pro Tem
District 3

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, 2021.

Grady Simpson
Council Member
District 2

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.

Stephanie Thomas
Council Member
District 4

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 20.04 square miles, had a July 1, 2019 U.S. Census population estimate of 18,869 which is a 19.3% increase from the 2010 census population of 15,816.

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 has also completed their newly \$8 million renovation to the hospital building located on State Highway 34 and has established it as there newest Health Science Center.

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 an 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:

2011	937,009,437	6,867,379
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

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, 2021, cash totaling \$44,446,682 were invested in the City's depository or certificates of deposit, and amounts totaling \$10,235,954 were invested in governmental investment pools. The overall portfolio provided \$5,084 in interest income during the year. Investment rates in the pools were impacted by the pandemic, but there should be more promise in FY2022.

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 national 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 2021 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.

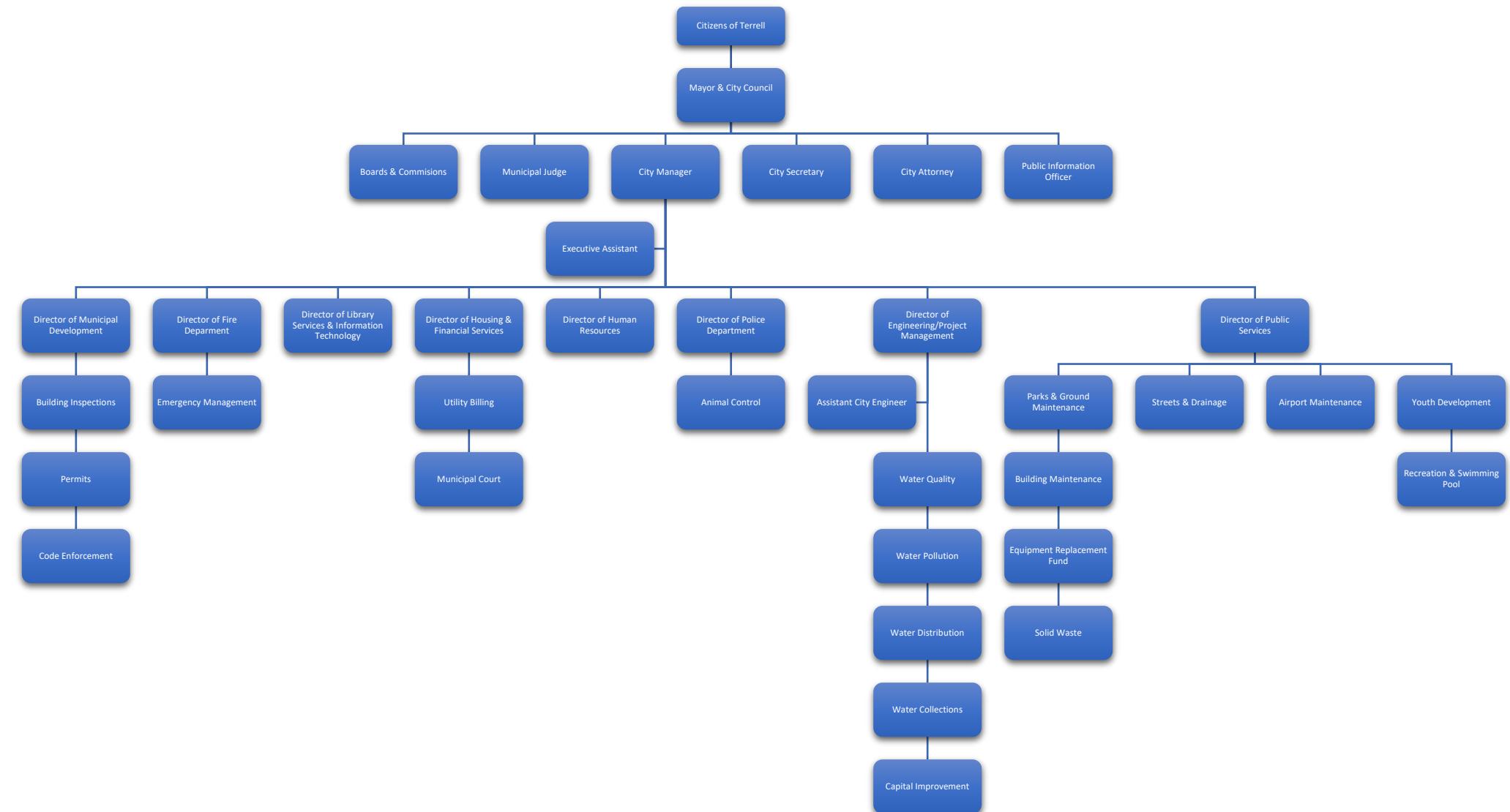
Respectfully submitted,



Jamarcus Ayers
Director of Housing & Financial Services



Proposed City of Terrell Organizational Chart Fiscal Year 2020-2021



CITY OF TERRELL, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2021

CITY OFFICIALS

Mayor Rick Carmona
Council Members Mayrani Velazquez, Mayor Pro Tem
Stephanie Holmes-Thomas, Deputy Mayor Pro Tem
Grady Simpson
Tim Royse
City Manager Mike Sims
City Secretary Dawn Steil
City Attorneys Mary Gayle Ramsey
Greg Shumpert

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying 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, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

OFFICE LOCATIONS

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other 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 introductory section, combining nonmajor fund financial statements, and the schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2022, 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 City of Terrell, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
July 10, 2022

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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, 2021. 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 \$92,299,871 (net position). Of this amount, \$6,889,990 (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 \$5,713,158 from operations.
- As of the close of the current fiscal year, the City of Terrell's governmental funds reported combined ending fund balances of \$46,383,182, an increase of \$26,943,346 in comparison with the prior fiscal year. Approximately 22% of this total amount, \$10,424,584, 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 \$5,556,379 or 22% of the total General Fund expenditures.
- The City's total long-term debt increased by \$38,329,366 during the current fiscal year. The City issued several Certificates of Obligation Series during the 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 36 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, C of O Taxable 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 \$92,299,871 as of September 30, 2021.

The largest portion of the City's net position, 67% (\$61,842,796), 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 74,569,930	\$ 46,142,163	\$ 30,378,917	\$ 17,389,450	\$ 104,948,847	\$ 63,531,613
Capital assets	<u>42,580,407</u>	<u>41,485,997</u>	<u>55,887,897</u>	<u>54,251,229</u>	<u>98,468,304</u>	<u>95,737,226</u>
Total assets	<u>117,150,337</u>	<u>87,628,160</u>	<u>86,266,814</u>	<u>71,640,679</u>	<u>203,417,151</u>	<u>159,268,839</u>
Deferred outflows of resources	<u>1,908,872</u>	<u>1,598,125</u>	<u>282,463</u>	<u>242,066</u>	<u>2,191,335</u>	<u>1,840,191</u>
Long-term liabilities	71,632,770	45,810,529	32,926,093	20,418,968	104,558,863	66,229,497
Other liabilities	<u>5,100,769</u>	<u>4,588,028</u>	<u>1,721,860</u>	<u>1,400,400</u>	<u>6,822,629</u>	<u>5,988,428</u>
Total liabilities	<u>76,733,539</u>	<u>50,398,557</u>	<u>34,647,953</u>	<u>21,819,368</u>	<u>111,381,492</u>	<u>72,217,925</u>
Deferred inflows of resources	<u>1,678,716</u>	<u>1,967,431</u>	<u>248,407</u>	<u>336,931</u>	<u>1,927,123</u>	<u>2,304,362</u>
Net position:						
Net investment in capital assets	14,783,899	21,142,320	47,058,897	43,583,390	61,842,796	64,725,710
Restricted	<u>23,243,756</u>	<u>16,228,082</u>	<u>323,329</u>	<u>8,172,161</u>	<u>23,567,085</u>	<u>24,400,243</u>
Unrestricted	<u>2,619,299</u>	<u>(510,105)</u>	<u>4,270,691</u>	<u>(2,029,135)</u>	<u>6,889,990</u>	<u>(2,539,240)</u>
Total net position	<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>

Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended September 30, 2021 and 2020.

CITY OF TERRELL'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 3,562,051	\$ 3,222,091	\$ 17,721,737	\$ 16,837,200	\$ 21,283,788	\$ 20,059,291
Operating grants and contributions	4,464,240	8,799,478	-	-	4,464,240	8,799,478
Capital grants and contributions	865,307	2,989,593	490,187	800,887	1,355,494	3,790,480
General revenues:						
Property taxes	12,176,457	10,593,716	-	-	12,176,457	10,593,716
Franchise taxes	1,462,354	1,534,031	-	-	1,462,354	1,534,031
Sales taxes	17,579,778	14,945,001	-	-	17,579,778	14,945,001
Other taxes	772,102	475,209	-	-	772,102	475,209
Interest	18,295	102,590	1,775	67,295	20,070	169,885
Miscellaneous	563,363	1,029,111	61,600	-	624,963	1,029,111
Gain on sale of capital assets	105,405	27,451	-	-	105,405	27,451
Transfers	<u>1,789,084</u>	<u>3,678,361</u>	<u>(1,789,084)</u>	<u>(3,678,361)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>43,358,436</u>	<u>47,396,632</u>	<u>16,486,215</u>	<u>14,027,021</u>	<u>59,844,651</u>	<u>61,423,653</u>
Expenses:						
General government	13,260,238	14,491,788	-	-	13,260,238	14,491,788
Public welfare	2,743,053	2,803,978	-	-	2,743,053	2,803,978
Public safety	11,480,741	10,141,501	-	-	11,480,741	10,141,501
Highways and streets	8,963,004	13,612,127	-	-	8,963,004	13,612,127
Sanitation	755,018	521,636	-	-	755,018	521,636
Culture and recreation	656,139	574,305	-	-	656,139	574,305
Interest on long-term debt	1,713,586	1,504,699	-	-	1,713,586	1,504,699
Water and sewer	-	-	13,893,923	12,192,346	13,893,923	12,192,346
Airport	-	-	<u>665,791</u>	<u>622,569</u>	<u>665,791</u>	<u>622,569</u>
Total expenses	<u>39,571,779</u>	<u>43,650,034</u>	<u>14,559,714</u>	<u>12,814,915</u>	<u>54,131,493</u>	<u>56,464,949</u>
Change in net position	3,786,657	3,746,598	1,926,501	1,212,106	5,713,158	4,958,704
Net position, beginning	<u>36,860,297</u>	<u>33,113,699</u>	<u>49,726,416</u>	<u>48,514,310</u>	<u>86,586,713</u>	<u>81,628,009</u>
Net position, ending	<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>

Governmental activities. Of the City's \$5,713,158 overall increase in net position, governmental activities net position increased by \$3,786,657. One of the most significant governmental expenses for the City was general government, which incurred expenses of \$13,260,238. These expenses were funded by revenues collected from a variety of sources, with one of the largest being from sales taxes, which are \$17,579,778 for the fiscal year ended September 30, 2021. Other significant governmental expenses for the City include highways and streets, which incurred \$8,963,004 in expenses.

Business-type activities. Business-type activities increased the City's net position by \$1,926,501. 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 \$46,383,182. Approximately 22% of this total amount (\$10,424,584) 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 (\$26,481,249), (2) pay for debt service (\$1,499,766), (3) pay for tourism/economic development (\$6,064,524), (4) pay for grants (\$775,503), (5) pay for law enforcement (\$71,078), and (6) pay for park development (\$1,041,285).

In the General Fund, the City budgeted for an increase in the fund balance of \$84,248. Due to actual revenues, specifically sales tax, being more than budgeted, the actual fund balance increased for fiscal year 2021 by \$764,363.

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, \$36,704,472; and the Airport Fund, \$14,948,445. The Water and Sewer Fund's net position increased in 2021 by \$1,569,945 and the Airport's net position increased by (\$356,556).

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 \$787,657.

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 \$1,548,041.

CAPITAL ASSETS

The City of Terrell's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$98,468,304 (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:

- \$1,497,283 was spent on construction for Kings Creek WWTP project.
- \$702,841 was spent on P25 site upgrades.
- \$739,085 was spent on Griffith Street Improvements.

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

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,587,061	\$ 1,570,985	\$ 2,533,992	\$ 1,988,733	\$ 4,121,053	\$ 3,559,718
Buildings and improvements	15,306,964	15,864,744	17,868,910	18,283,102	33,175,874	34,147,846
Machinery and equipment	3,331,830	3,885,016	26,157,389	27,237,274	29,489,219	31,122,290
Infrastructure	13,679,783	14,026,785	-	-	13,679,783	14,026,785
Construction in progress	8,674,769	6,138,467	9,327,606	6,742,120	18,002,375	12,880,587
Total capital assets	\$ 42,580,407	\$ 41,485,997	\$ 55,887,897	\$ 54,251,229	\$ 98,468,304	\$ 95,737,226

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Terrell had a total bonded debt of \$77,300,000.

CITY OF TERRELL'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 10,565,000	\$ 1,965,000	\$ -	\$ -	\$ 10,565,000	\$ 1,965,000
Certificates of obligation	<u>35,380,000</u>	<u>21,535,000</u>	<u>31,355,000</u>	<u>17,625,150</u>	<u>66,735,000</u>	<u>39,160,150</u>
	<u>\$ 45,945,000</u>	<u>\$ 23,500,000</u>	<u>\$ 31,355,000</u>	<u>\$ 17,625,150</u>	<u>\$ 77,300,000</u>	<u>\$ 41,125,150</u>

During the current fiscal year, the City's total bonded debt increased by \$36,174,850 or 88%. This was due to one new series of Certificates of Obligation and a new note being issued during the fiscal year.

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 FY22 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 \$60M. There was no change to the tax rate (.006042 for Maintenance and Operations, .0016 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 Jamarcus Ayers at (972) 551-6600 or email jayers@cityofterrell.org.

**BASIC
FINANCIAL STATEMENTS**

CITY OF TERRELL, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 49,001,878	\$ 5,911,913	\$ 54,913,791
Receivables (net, where applicable, of allowances for uncollectibles			
Accounts	3,607,336	2,502,998	6,110,334
Due from other governments	11,395,035	16,831	11,411,866
Special assessments	1,657,723	-	1,657,723
Other receivables	73,392	-	73,392
Prepaid expenses	5,908,674	-	5,908,674
Internal balances	895,981	(895,981)	-
Investment in land	1,801,856	-	1,801,856
Inventory, at cost	25,193	348,827	374,020
Restricted cash and investments	202,862	22,494,329	22,697,191
Capital assets:			
Land	1,587,061	2,533,992	4,121,053
Buildings and improvements	19,296,433	36,049,310	55,345,743
Improvements other than buildings	2,389,569	-	2,389,569
Machinery and equipment	10,080,788	46,590,226	56,671,014
Infrastructure	43,739,699	-	43,739,699
Construction in progress	8,674,769	9,327,606	18,002,375
Less accumulated depreciation	(43,187,912)	(38,613,237)	(81,801,149)
Total capital assets	<u>42,580,407</u>	<u>55,887,897</u>	<u>98,468,304</u>
Total assets	<u>117,150,337</u>	<u>86,266,814</u>	<u>203,417,151</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	1,741,864	257,750	1,999,614
Deferred outflows - TMRS SDBF	167,008	24,713	191,721
Total deferred outflows of resources	<u>1,908,872</u>	<u>282,463</u>	<u>2,191,335</u>
LIABILITIES			
Accounts payable	1,956,294	1,100,202	3,056,496
Accrued interest payable	182,948	49,856	232,804
Unearned revenue	2,357,659	-	2,357,659
Other accrued liabilities	522,124	68,799	590,923
Customer deposits	-	495,486	495,486
Due to other governments	81,744	7,517	89,261
Long-term liabilities:			
Due within one year			
Long-term debt	2,981,837	1,607,210	4,589,047
Total OPEB liability - TMRS SDBF	14,567	2,155	16,722
Total OPEB liability - retiree health	167,342	24,762	192,104
Due in more than one year			
Long-term debt	58,446,120	29,808,838	88,254,958
Net pension liability	5,754,402	851,501	6,605,903
Total OPEB liability - TMRS SDBF	718,219	106,278	824,497
Total OPEB liability - retiree health	3,550,283	525,349	4,075,632
Total liabilities	<u>76,733,539</u>	<u>34,647,953</u>	<u>111,381,492</u>

CITY OF TERRELL, TEXAS

STATEMENT OF NET POSITION
(Continued)
SEPTEMBER 30, 2021

	Governmental Activities	Business-type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	\$ 1,548,575	\$ 229,149	\$ 1,777,724
Deferred inflows - TMRS SDBF	22,023	3,259	25,282
Deferred inflows - retiree health	<u>108,118</u>	<u>15,999</u>	<u>124,117</u>
Total deferred inflows of resources	<u>1,678,716</u>	<u>248,407</u>	<u>1,927,123</u>
NET POSITION			
Net investment in capital assets	14,783,899	47,058,897	61,842,796
Restricted for:			
Tourism/economic development	6,064,524	-	6,064,524
Grants	775,503	-	775,503
Law enforcement	71,078	-	71,078
Highway projects	3,631,154	-	3,631,154
Capital projects	10,243,566	-	10,243,566
Park development	1,041,285	-	1,041,285
Debt service	1,416,646	323,329	1,739,975
Unrestricted	<u>2,619,299</u>	<u>4,270,691</u>	<u>6,889,990</u>
Total net position	<u>\$ 40,646,954</u>	<u>\$ 51,652,917</u>	<u>\$ 92,299,871</u>

CITY OF TERRELL, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 13,260,238	\$ 688,951	\$ 662,406	\$ -
Public welfare	2,743,053	-	2,964,068	-
Public safety	11,480,741	399,764	127,807	-
Highways and streets	8,963,004	1,659,755	656,549	865,307
Sanitation	755,018	655,432	53,410	-
Culture and recreation	656,139	158,149	-	-
Interest on long-term debt	1,713,586	-	-	-
Total governmental activities	<u>39,571,779</u>	<u>3,562,051</u>	<u>4,464,240</u>	<u>865,307</u>
Business-type activities:				
Water and sewer	13,893,923	17,345,817	-	-
Airport	665,791	375,920	-	490,187
Total business-type activities	<u>14,559,714</u>	<u>17,721,737</u>	<u>-</u>	<u>490,187</u>
Total primary government	<u>\$ 54,131,493</u>	<u>\$ 21,283,788</u>	<u>\$ 4,464,240</u>	<u>\$ 1,355,494</u>

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

Net position - ending

Net (Expense) Revenue and Changes in Net Position

Primary Government		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	Total
\$(11,908,881)	\$ -	\$ (11,908,881)
221,015	-	221,015
(10,953,170)	-	(10,953,170)
(5,781,393)	-	(5,781,393)
(46,176)	-	(46,176)
(497,990)	-	(497,990)
<u>(1,713,586)</u>	<u>—</u>	<u>(1,713,586)</u>
(30,680,181)	-	(30,680,181)

-	3,451,894	3,451,894
-	200,316	200,316
<hr/>	<hr/>	<hr/>
-	3,652,210	3,652,210
<hr/>	<hr/>	<hr/>

9,772,005	-	9,772,005
2,404,452	-	2,404,452
17,579,778	-	17,579,778
1,462,354	-	1,462,354
772,102	-	772,102
18,295	1,775	20,070
563,363	61,600	624,963
105,405	-	105,405
<u>1,789,084</u>	(<u>1,789,084</u>)	<u>-</u>
34,466.838	(<u>1,725,709</u>)	<u>32,741,129</u>

3,786,657	1,926,501	5,713,158
<u>36,860,297</u>	<u>49,726,416</u>	<u>86,586,713</u>
\$ 40,646,954	\$ 51,652,917	\$ 92,299,871

CITY OF TERRELL, TEXAS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2021

	General	Terrell PPPF	Terrell Economic Development Corporation
ASSETS			
Cash and investments	\$ 1,723,736	\$ 6,914,125	\$ 2,831,170
Taxes receivable, net	3,498,388	-	-
Due from other funds	2,955,945	98,004	234,670
Due from other governments	-	11,395,035	-
Special assessments	-	-	-
Investment in land	-	-	1,801,856
Other receivables	51,933	-	19,922
Inventories	25,193	-	-
Total assets	<u>8,255,195</u>	<u>18,407,164</u>	<u>4,887,618</u>
LIABILITIES			
Accounts payable	735,672	53,247	-
Accrued wages payable	512,580	-	-
Due to other funds	975,628	1,150,000	54,142
Due to other governments	-	81,744	-
Unearned revenue	-	-	19,922
Total liabilities	<u>2,223,880</u>	<u>1,284,991</u>	<u>74,064</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - taxes	378,202	-	-
Unavailable revenues - grants	-	11,395,035	-
Unavailable revenues - special assessments	-	-	-
Unavailable revenues - municipal court	71,541	-	-
Total deferred inflows of resources	<u>449,743</u>	<u>11,395,035</u>	<u>-</u>
FUND BALANCES			
Non-spendable	25,193	-	-
Restricted:			
Tourism/economic development	-	-	4,813,554
Grants	-	-	-
Law enforcement	-	-	-
Capital projects	-	-	-
Park development	-	-	-
Debt service	-	-	-
Unassigned	<u>5,556,379</u>	<u>5,727,138</u>	<u>-</u>
Total fund balances	<u>5,581,572</u>	<u>5,727,138</u>	<u>4,813,554</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,255,195</u>	<u>\$ 18,407,164</u>	<u>\$ 4,887,618</u>

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

Rent Supplement Section 8	Permanent Street Improvement	C of O Series 2021A	C of O Taxable Series 2021A	Other Governmental Funds	Total Governmental Funds
\$ 371,177	\$ 504,594	11,000,000	11,000,000	\$ 10,710,222	\$ 45,055,024
-	-	-	-	108,948	3,607,336
-	54,142	-	-	1,923,706	5,266,467
-	-	-	-	-	11,395,035
-	1,657,723	-	-	-	1,657,723
-	-	-	-	-	1,801,856
1,537	-	-	-	-	73,392
-	-	-	-	-	25,193
<u>372,714</u>	<u>2,216,459</u>	<u>11,000,000</u>	<u>11,000,000</u>	<u>12,742,876</u>	<u>68,882,026</u>
-	410,657	-	-	453,437	1,653,013
-	-	-	-	-	512,580
29,013	637,761	-	-	1,444,975	4,291,519
-	-	-	-	-	81,744
-	-	-	-	2,337,737	2,357,659
<u>29,013</u>	<u>1,048,418</u>	<u>-</u>	<u>-</u>	<u>4,236,149</u>	<u>8,896,515</u>
-	-	-	-	99,828	478,030
-	-	-	-	-	11,395,035
-	1,657,723	-	-	-	1,657,723
-	-	-	-	-	71,541
<u>-</u>	<u>1,657,723</u>	<u>-</u>	<u>-</u>	<u>99,828</u>	<u>13,602,329</u>
-	-	-	-	-	25,193
-	-	-	-	1,250,970	6,064,524
343,701	-	-	-	431,802	775,503
-	-	-	-	71,078	71,078
-	-	11,000,000	11,000,000	4,481,249	26,481,249
-	-	-	-	1,041,285	1,041,285
-	-	-	-	1,499,766	1,499,766
-	(489,682)	-	-	(369,251)	10,424,584
<u>343,701</u>	<u>(489,682)</u>	<u>11,000,000</u>	<u>11,000,000</u>	<u>8,406,899</u>	<u>46,383,182</u>
\$ <u>372,714</u>	\$ <u>2,216,459</u>	\$ <u>11,000,000</u>	\$ <u>11,000,000</u>	\$ <u>12,742,876</u>	\$ <u>68,882,026</u>

CITY OF TERRELL, TEXAS

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

SEPTEMBER 30, 2021

Total fund balance, governmental funds \$ 46,383,182

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.

47,025,573

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.

13,602,329

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.

5,013,964

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.

(71,378,094)

Net position of governmental activities in the Statement of Net Position

\$ 40,646,954

CITY OF TERRELL, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General</u>	<u>Terrell PPPF</u>	<u>Terrell Economic Development Corporation</u>
REVENUES			
Ad valorem taxes	\$ 8,728,491	\$ 2,313,497	\$ -
Hotel/motel occupancy taxes	- -	- -	- -
Sales and use taxes	13,150,529	- -	3,144,348
Franchise fees	1,518,661	- -	- -
Licenses and permits	94,690	- -	- -
Fees and fines	656,402	- -	- -
Intergovernmental	1,350,428	1,775,315	- -
Charges for services	822,699	- -	- -
Investment earnings	835	5,958	4,150
Miscellaneous	308,406	- -	- -
Total revenues	<u>26,631,141</u>	<u>4,094,770</u>	<u>3,148,498</u>
EXPENDITURES			
Current:			
General government	9,833,038	- -	1,461,303
Public welfare	- -	- -	- -
Public safety	11,424,707	- -	- -
Highways and streets	2,982,615	2,972,458	- -
Sanitation	703,388	- -	- -
Culture and recreation	567,068	- -	- -
Principal	- -	- -	- -
Interest and fiscal charges	- -	- -	- -
Capital outlay	10,896	60,526	- -
Total expenditures	<u>25,521,712</u>	<u>3,032,984</u>	<u>1,461,303</u>
OVER (UNDER) EXPENDITURES	<u>1,109,429</u>	<u>1,061,786</u>	<u>1,687,195</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	19,137	- -	- -
Issuance of bonds	- -	- -	- -
Premium on bond issuance	- -	- -	- -
Payment to bond escrow agent	- -	- -	- -
Transfers in	2,861,549	768,873	- -
Transfers out	(3,225,752)	(305,107)	- -
Total other financing sources and uses	<u>(345,066)</u>	<u>463,766</u>	<u>- -</u>
NET CHANGE IN FUND BALANCES	<u>764,363</u>	<u>1,525,552</u>	<u>1,687,195</u>
FUND BALANCES, BEGINNING	<u>4,817,209</u>	<u>4,201,586</u>	<u>3,126,359</u>
FUND BALANCES, ENDING	<u>\$ 5,581,572</u>	<u>\$ 5,727,138</u>	<u>\$ 4,813,554</u>

Rent Supplement Section 8	Permanent Street Improvement	C of O Series 2021A	C of O Taxable Series 2021A	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,394,260	\$ 13,436,248
-	-	-	-	715,795	715,795
-	-	-	-	-	16,294,877
-	-	-	-	-	1,518,661
-	219,318	-	-	-	314,008
-	-	-	-	18,512	674,914
2,964,068	2,750	-	-	30,356	6,122,917
-	-	-	-	1,767,875	2,590,574
981	578	-	-	4,879	17,381
<u>19,949</u>	<u>578</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>348,933</u>
<u>2,984,998</u>	<u>223,224</u>	<u>-</u>	<u>-</u>	<u>4,951,677</u>	<u>42,034,308</u>
 402,314	 132	 -	 -	 2,067,799	 13,764,586
2,736,013	-	-	-	-	2,736,013
-	-	-	-	-	11,424,707
-	-	-	-	-	5,955,073
-	-	-	-	-	703,388
-	-	-	-	13,975	581,043
-	-	-	-	2,052,248	2,052,248
-	-	165,324	180,000	1,112,776	1,458,100
-	<u>3,171,889</u>	<u>-</u>	<u>-</u>	<u>2,200,767</u>	<u>5,444,078</u>
<u>3,138,327</u>	<u>3,172,021</u>	<u>165,324</u>	<u>180,000</u>	<u>7,447,565</u>	<u>44,119,236</u>
 (153,329)	 (2,948,797)	 (165,324)	 (180,000)	 (2,495,888)	 (2,084,928)
 - -	 - -	 9,510,000	 11,180,000	 12,245,000	 19,137
- -	- -	1,655,324	-	1,682,204	32,935,000
- -	- -	-	-	(9,065,920)	3,337,528
- -	1,342,838	-	-	3,392,062	(9,065,920)
- -	-	-	-	(3,031,934)	8,365,322
- -	<u>1,342,838</u>	<u>11,165,324</u>	<u>11,180,000</u>	<u>5,221,412</u>	<u>29,028,274</u>
 (153,329)	 (1,605,959)	 11,000,000	 11,000,000	 2,725,524	 26,943,346
 497,030	 1,116,277	 -	 -	 5,681,375	 19,439,836
<u>\$ 343,701</u>	<u>\$(489,682)</u>	<u>\$ 11,000,000</u>	<u>\$ 11,000,000</u>	<u>\$ 8,406,899</u>	<u>\$ 46,383,182</u>

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, 2021

Net change in fund balances - total governmental funds: \$ 26,943,346

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.

1,279,158

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.

(571,275)

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.

(25,348,237)

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.

49,277

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.

1,434,388

Change in net position of governmental activities

\$ 3,786,657

CITY OF TERRELL, TEXAS

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

	Budgeted Amounts	
	Original	Final
REVENUES		
Ad valorem taxes	\$ 8,498,078	\$ 8,498,078
Sales and use taxes	10,915,524	11,159,274
Franchise fees	1,609,000	1,609,000
Fees and fines	745,380	745,380
Licenses and permits	169,600	169,600
Intergovernmental	780,084	1,987,293
Charges for services	752,965	755,465
Investment earnings	15,000	15,000
Miscellaneous	143,610	144,010
Total revenues	<u>23,629,241</u>	<u>25,083,100</u>
EXPENDITURES		
Current:		
General government	8,442,860	8,745,179
Public safety	11,165,420	11,609,929
Highways and street	3,273,672	3,304,225
Sanitation	569,500	569,500
Culture and recreation	611,127	617,752
Capital outlay	<u>10,000</u>	<u>13,651</u>
Total expenditures	<u>24,072,579</u>	<u>24,860,236</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(443,338)</u>	<u>222,864</u>
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	1,075	1,075
Transfers in	2,840,668	2,840,668
Transfers out	<u>(2,310,140)</u>	<u>(2,980,359)</u>
Total other financing sources and uses	<u>531,603</u>	<u>(138,616)</u>
NET CHANGE IN FUND BALANCES	88,265	84,248
FUND BALANCES, BEGINNING	<u>4,817,209</u>	<u>4,817,209</u>
FUND BALANCES, ENDING	<u>\$ 4,905,474</u>	<u>\$ 4,901,457</u>

Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
\$ 8,728,491	\$ 230,413
13,150,529	1,991,255
1,518,661	(90,339)
656,402	(88,978)
94,690	(74,910)
1,350,428	(636,865)
822,699	67,234
835	(14,165)
<u>308,406</u>	<u>164,396</u>
<u>26,631,141</u>	<u>1,548,041</u>
9,833,038	(1,087,859)
11,424,707	185,222
2,982,615	321,610
703,388	(133,888)
567,068	50,684
<u>10,896</u>	<u>2,755</u>
<u>25,521,712</u>	<u>(661,476)</u>
<u>1,109,429</u>	<u>886,565</u>
19,137	18,062
2,861,549	20,881
<u>(3,225,752)</u>	<u>(245,393)</u>
<u>(345,066)</u>	<u>(206,450)</u>
764,363	680,115
<u>4,817,209</u>	<u>-</u>
\$ <u>5,581,572</u>	\$ <u>680,115</u>

CITY OF TERRELL, TEXAS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

SEPTEMBER 30, 2021

	Business-type Activities			Governmental Activities	
	Water and Sanitary Sewer	Airport	Total	Internal Service Funds	
ASSETS					
Current assets:					
Cash and investments	\$ 5,227,124	\$ 684,789	\$ 5,911,913	\$ 4,149,716	
Cash and investments - restricted	22,494,329	-	22,494,329		-
Accounts receivable, net	2,502,998	-	2,502,998		-
Due from other funds	423,793	582,381	1,006,174		-
Due from other governments	-	16,831	16,831		-
Inventories	348,827	-	348,827		-
Total current assets	<u>30,997,071</u>	<u>1,284,001</u>	<u>32,281,072</u>		<u>4,149,716</u>
Non-current assets:					
Capital assets:					
Land	2,186,244	347,748	2,533,992		-
Buildings and improvements	15,322,682	20,726,628	36,049,310		-
Construction in progress	8,232,583	1,095,023	9,327,606		-
Machinery and equipment	45,824,746	765,480	46,590,226	4,897,916	
Less accumulated depreciation	(29,677,349)	(8,935,888)	(38,613,237)	(3,434,408)	
Total capital assets	<u>41,888,906</u>	<u>13,998,991</u>	<u>55,887,897</u>		<u>1,463,508</u>
Total non-current assets	<u>41,888,906</u>	<u>13,998,991</u>	<u>55,887,897</u>		<u>1,463,508</u>
Total assets	<u>72,885,977</u>	<u>15,282,992</u>	<u>88,168,969</u>		<u>5,613,224</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	257,750	-	257,750	33,793	
Deferred outflows - TMRS SDBF	<u>24,713</u>	<u>-</u>	<u>24,713</u>		<u>3,240</u>
Total deferred outflows of resources	<u>282,463</u>	<u>-</u>	<u>282,463</u>		<u>37,033</u>
LIABILITIES					
Current liabilities:					
Accounts payable	1,016,241	83,961	1,100,202	303,281	
Accrued interest payable	48,140	1,716	49,856		-
Due to other funds	1,878,285	23,870	1,902,155	78,967	
Due to other governments	7,517	-	7,517		-
Other accrued expenses	68,799	-	68,799	9,544	
Compensated absences	12,210	-	12,210	2,671	
Total OPEB liability - TMRS SDBF	2,155	-	2,155	283	
Total OPEB liability - retiree health	<u>24,762</u>	<u>-</u>	<u>24,762</u>		<u>3,247</u>
Bonds, notes and loans payable	<u>1,485,000</u>	<u>110,000</u>	<u>1,595,000</u>		<u>-</u>
Total current liabilities	<u>4,543,109</u>	<u>219,547</u>	<u>4,762,656</u>		<u>397,993</u>
Non-current liabilities:					
Compensated absences	48,838	-	48,838	11,279	
Customer deposits	495,486	-	495,486		-
Net pension liability	851,501	-	851,501	111,640	
Total OPEB liability - TMRS SDBF	106,278	-	106,278	13,934	
Total OPEB liability - retiree health	525,349	-	525,349	68,878	
Bonds, notes and loans payable	<u>29,645,000</u>	<u>115,000</u>	<u>29,760,000</u>		<u>-</u>
Total non-current liabilities	<u>31,672,452</u>	<u>115,000</u>	<u>31,787,452</u>		<u>205,731</u>
Total liabilities	<u>36,215,561</u>	<u>334,547</u>	<u>36,550,108</u>		<u>603,724</u>

CITY OF TERRELL, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(Continued)

SEPTEMBER 30, 2021

	Business-type Activities			Governmental Activities	
	Water and Sanitary Sewer	Airport	Total	Internal Service Funds	
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	\$ 229,149	\$ -	\$ 229,149	\$ 30,044	
Deferred inflows - TMRS SDBF	3,259	-	3,259	427	
Deferred inflows - retiree health	<u>15,999</u>	<u>-</u>	<u>15,999</u>	<u>2,098</u>	
Total deferred inflows of resources	<u>248,407</u>	<u>-</u>	<u>248,407</u>	<u>32,569</u>	
NET POSITION					
Net investment in capital assets	33,284,906	13,773,991	47,058,897	1,463,508	
Restricted for debt service	323,329	-	323,329	-	
Unrestricted	<u>3,096,237</u>	<u>1,174,454</u>	<u>4,270,691</u>	<u>3,550,456</u>	
Total net position	<u>\$ 36,704,472</u>	<u>\$ 14,948,445</u>	<u>\$ 51,652,917</u>	<u>\$ 5,013,964</u>	

CITY OF TERRELL, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities			Governmental Activities
	Water and Sanitary Sewer	Airport	Total	Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 17,345,817	\$ -	\$ 17,345,817	\$ -
Rental income	-	375,920	375,920	-
Internal service revenues	-	-	-	5,317,635
Miscellaneous	61,230	370	61,600	50,897
Total operating revenues	<u>17,407,047</u>	<u>376,290</u>	<u>17,783,337</u>	<u>5,368,532</u>
OPERATING EXPENSES				
Cost of sales and services	12,046,240	215,643	12,261,883	309,661
Administration	83,727	-	83,727	1,098,679
Repairs and maintenance	-	-	-	93,922
Other supplies and expenses	-	-	-	888,275
Insurance claims and expenses	-	-	-	1,479,340
Depreciation	1,103,114	437,213	1,540,327	138,004
Total operating expenses	<u>13,233,081</u>	<u>652,856</u>	<u>13,885,937</u>	<u>4,007,881</u>
OPERATING INCOME (LOSS)	<u>4,173,966</u>	<u>(276,566)</u>	<u>3,897,400</u>	<u>1,360,651</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment earnings	1,775	-	1,775	914
Capital grants	-	490,187	490,187	-
Interest and fiscal charges	(660,842)	(12,935)	(673,777)	-
Gain (loss) on disposal of assets	-	-	-	86,268
Transfers in	2,299,254	192,935	2,492,189	6,388
Transfers out	(4,244,208)	(37,065)	(4,281,273)	(19,833)
Total non-operating revenues (expenses)	<u>(2,604,021)</u>	<u>633,122</u>	<u>(1,970,899)</u>	<u>73,737</u>
CHANGE IN NET POSITION	<u>1,569,945</u>	<u>356,556</u>	<u>1,926,501</u>	<u>1,434,388</u>
TOTAL NET POSITION, BEGINNING	<u>35,134,527</u>	<u>14,591,889</u>	<u>49,726,416</u>	<u>3,579,576</u>
TOTAL NET POSITION, ENDING	<u>\$ 36,704,472</u>	<u>\$ 14,948,445</u>	<u>\$ 51,652,917</u>	<u>\$ 5,013,964</u>

CITY OF TERRELL, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities	
	Water and Sanitary Sewer	Airport
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 17,081,845	\$ 376,290
Cash paid for services and insurance claims	-	-
Cash paid to suppliers for goods and services	(8,212,579)	(164,642)
Cash paid to employees for services	(2,900,051)	-
Net cash provided by operating activities	5,969,215	211,648
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	2,299,254	192,935
Transfers out	(4,244,208)	(37,065)
Net cash provided (used) for noncapital financing activities	(1,944,954)	155,870
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(2,485,362)	(691,633)
Proceeds from sale of capital assets	-	-
Proceeds from issuance of long-term debt	13,470,000	-
Principal paid on long-term debt	(850,000)	(105,000)
Capital grants	-	490,187
Interest and fiscal charges paid on debt	(659,598)	(12,935)
Net cash used for capital and related financing activities	9,475,040	(319,381)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	1,775	-
Net cash provided by investing activities	1,775	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	13,501,076	48,137
CASH AND CASH EQUIVALENTS, BEGINNING		
	14,220,377	636,652
CASH AND CASH EQUIVALENTS, ENDING		
	\$ 27,721,453	\$ 684,789

Business-type Activities	Governmental Activities
Total	Internal Service Funds
\$ 17,458,135	\$ 5,368,532
-	(2,714,291)
(8,377,221)	(993,122)
<u>(2,900,051)</u>	<u>(334,478)</u>
<u>6,180,863</u>	<u>1,326,641</u>
2,492,189	(13,445)
<u>(4,281,273)</u>	<u> -</u>
<u>(1,789,084)</u>	<u>(13,445)</u>
(3,176,995)	46,744
-	86,268
<u>13,470,000</u>	<u> -</u>
<u>(955,000)</u>	<u> 11,279</u>
490,187	-
<u>(672,533)</u>	<u> -</u>
<u>9,155,659</u>	<u> 144,291</u>
<u>1,775</u>	<u> 914</u>
<u>1,775</u>	<u> 914</u>
13,549,213	1,458,401
<u>14,857,029</u>	<u> 2,691,315</u>
\$ <u>28,406,242</u>	\$ <u> 4,149,716</u>

CITY OF TERRELL, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities	
	Water and Sanitary Sewer	Airport
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 4,173,966	\$(276,566)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,103,114	437,213
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Customer receivable	(343,380)	-
Other receivable	765,467	-
Inventories	(88,196)	-
Due from other funds	-	(27,697)
Deferred outflows of resources	(40,397)	-
Increase (decrease) in liabilities:		
Accounts payable	210,022	78,698
Accrued liabilities	5,986	-
Compensated absences	(16,856)	-
Due to other funds	253,552	-
Due to other governments	7,332	-
Deferred inflows of resources	(88,554)	-
Net pension liability	(24,361)	-
Total OPEB liability - TMRS SDBF	18,957	-
Total OPEB liability - retiree health	14,385	-
Customer deposits	<u>18,178</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 5,969,215</u>	<u>\$ 211,648</u>

<u>Business-type Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Funds</u>
\$ 3,897,400	\$ 1,360,651
1,540,327	138,004
(343,380)	-
765,467	-
(88,196)	-
(27,697)	-
(40,397)	(5,374)
288,720	(205,851)
5,986	1,034
(16,856)	(10,686)
253,552	58,654
7,332	-
(88,554)	(10,969)
(24,361)	(3,194)
18,957	2,485
14,385	1,887
<u>18,178</u>	<u>-</u>
<u>\$ 6,180,863</u>	<u>\$ 1,326,641</u>

CITY OF TERRELL, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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 ½ 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.

The **C of O Taxable Series 2021A** is used to account for funds received from the issuance of 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 \$1,601,767,952 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, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, 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 using the straight-line method over the following estimated useful lives:

Assets	Years
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

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. Interest incurred, when material, during the construction phase of business-type activities is included as a part of the capitalized value of the constructed asset. During the fiscal year ended September 30, 2021, there was no interest capitalized.

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.

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 position 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following types of items that qualify for reporting in this category.

- 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.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(71,378,094) difference are as follows:

General obligation bonds	\$(10,565,000)
Certificates of obligation	(35,380,000)
Premium on issuance of debt	(3,696,307)
Interest payable	(182,948)
Notes payable	(1,959,281)
Intergovernmental payable	(7,763,881)
Developer agreement payable	(90,500)
Compensated absences	(1,959,038)
Deferred outflow related to pensions	1,708,071
Deferred outflow related to TMRS SDBF	163,768
Deferred inflow related to pensions	(1,518,531)
Deferred inflow related to TMRS SDBF	(21,596)
Deferred inflow related to retiree health	(106,020)
TMRS net pension liability	(5,642,762)
OPEB liability - TMRS SDBF	(718,569)
OPEB liability - retiree health	<u>(3,645,500)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$(71,378,094)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$1,279,158 difference are as follows:

Capital outlay	\$ 2,783,380
Depreciation expense	<u>(1,504,222)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 1,279,158</u>

Another element of that reconciliation states, "Certain receivables will be collected next year but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds." The details of this \$(571,275) difference are as follows:

Deferred property tax revenues	\$ 25,110
Deferred court fines	50
Deferred special assessments	200,845
Deferred grant revenue	<u>(797,280)</u>
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$(571,275)</u>

Another element of that reconciliation states, "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 on net assets. Also, governmental funds report the effect of issuance costs, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$(25,348,237) difference are as follows:

Principal repayments	\$ 1,856,692
Premiums on long-term debt	27,599
Issuance of debt	(25,375,324)
Refunded debt	(1,857,204)
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (25,348,237)</u>

3. 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.
7. Expenditures exceeded appropriations in the highways and street department of the general fund by \$133,888. Expenditures also exceeded appropriations in the general government department by \$1,087,859. These overages were funded with existing fund balance.

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, 2021. The TCDP Grant Fund had a deficit fund balance of \$169,214 as of September 30, 2021. The Information Technology Fund had a deficit fund balance of \$179,924 as of September 30, 2021. The Cross Roads Fund had a deficit fund balance of \$3,713 as of September 30, 2021. The Permanent Street Improvement Fund had a deficit fund balance of \$489,682 as of September 30, 2021. The deficit equity balances will be covered by future transfers from the General Fund.

4. 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, 2020, 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 Entity 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, 2021, the City held the following fair value measurements:

	9/30/2021	Valuation Method	Percent of Total Portfolio	Weighted Average Maturity (Days)
Primary government				
Cash and cash equivalents				
Demand Deposits	\$ 69,391,360	Cost		
TexPool	3,526,139	NAV	42.90%	37
TexTERM	1,513,005	NAV	18.41%	48
TexSTAR	3,180,478	NAV	38.69%	39
Total cash and cash equivalents	<u>77,610,982</u>			
Total cash and investments				
of the reporting entity	<u>\$ 77,610,982</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	\$ 3,588,557	\$ -	\$ -	\$ -	\$ -	\$ 132,735	\$ 3,721,292
Due from other governments	-	-	-	11,395,035	-	-	11,395,035
Special assessment	-	-	-	-	2,181,214	-	2,181,214
Fines and fees	1,406,939	1,537	-	-	-	-	1,408,476
Miscellaneous	4,281	-	19,922	-	-	-	24,203
Gross receivables	4,999,777	1,537	19,922	11,395,035	2,181,214	132,735	18,730,220
Less: allowance for uncollectibles	(1,449,456)	-	-	-	(523,491)	(23,787)	(1,996,734)
Net total receivables	\$ 3,550,321	\$ 1,537	\$ 19,922	\$ 11,395,035	\$ 1,657,723	\$ 108,948	\$ 16,733,486

	Water Utilities	Airport	Enterprise Funds
Receivables:			
Due from other governments	\$ -	\$ 16,831	\$ 16,831
Customer accounts	<u>3,436,481</u>	<u>-</u>	<u>3,436,481</u>
Gross receivables	<u>3,436,481</u>	<u>16,831</u>	<u>3,453,312</u>
Less: allowance for uncollectibles	<u>(933,483)</u>	<u>-</u>	<u>(933,483)</u>
Net total receivables	<u>\$ 2,502,998</u>	<u>\$ 16,831</u>	<u>\$ 2,519,829</u>

Capital Assets

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

Primary Government	Beginning Balance	Additions & Reclass	Deletions & Reclass	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,570,985	\$ 16,076	\$ -	\$ 1,587,061
Construction in progress	<u>6,138,467</u>	<u>2,703,274</u>	<u>(166,972)</u>	<u>8,674,769</u>
Total assets not being depreciated	<u>7,709,452</u>	<u>2,719,350</u>	<u>(166,972)</u>	<u>10,261,830</u>
Capital assets, being depreciated:				
Buildings	19,296,433	-	-	19,296,433
Improvements, other than buildings	2,389,569	-	-	2,389,569
Machinery and equipment	10,238,264	64,030	(221,506)	10,080,788
Infrastructure	<u>43,572,727</u>	<u>166,972</u>	<u>-</u>	<u>43,739,699</u>
Total capital assets being depreciated	<u>75,496,993</u>	<u>231,002</u>	<u>(221,506)</u>	<u>75,506,489</u>
Less accumulated depreciation:				
Buildings	4,396,703	483,137	-	4,879,840
Improvements, other than buildings	1,424,555	74,643	-	1,499,198
Machinery and equipment	6,353,248	570,471	(174,761)	6,748,958
Infrastructure	<u>29,545,942</u>	<u>513,974</u>	<u>-</u>	<u>30,059,916</u>
Total accumulated depreciation	<u>41,720,448</u>	<u>1,642,225</u>	<u>(174,761)</u>	<u>43,187,912</u>
Total capital assets being depreciated, net	<u>33,776,545</u>	<u>(1,411,223)</u>	<u>(46,745)</u>	<u>32,318,577</u>
Governmental activities capital assets, net	<u>\$ 41,485,997</u>	<u>\$ 1,308,127</u>	<u>\$ (213,717)</u>	<u>\$ 42,580,407</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,988,733	\$ 545,259	\$ -	\$ 2,533,992
Construction in progress	<u>6,742,120</u>	<u>2,585,486</u>	<u>-</u>	<u>9,327,606</u>
Total assets not being depreciated	<u>8,730,853</u>	<u>3,130,745</u>	<u>-</u>	<u>11,861,598</u>
Capital assets, being depreciated:				
Buildings and improvements	36,049,310	-	-	36,049,310
Machinery and equipment	<u>46,543,976</u>	<u>46,250</u>	<u>-</u>	<u>46,590,226</u>
Total capital assets being depreciated	<u>82,593,286</u>	<u>46,250</u>	<u>-</u>	<u>82,639,536</u>
Less accumulated depreciation:				
Buildings and improvements	(17,766,208)	(414,192)	-	(18,180,400)
Machinery and equipment	<u>(19,306,702)</u>	<u>(1,126,135)</u>	<u>-</u>	<u>(20,432,837)</u>
Total accumulated depreciation	<u>(37,072,910)</u>	<u>(1,540,327)</u>	<u>-</u>	<u>(38,613,237)</u>
Total capital assets being depreciated, net	<u>45,520,376</u>	<u>(1,494,077)</u>	<u>-</u>	<u>44,026,299</u>
Business-type activities capital assets, net	<u>\$ 54,251,229</u>	<u>\$ 1,636,668</u>	<u>\$ -</u>	<u>\$ 55,887,897</u>

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

Governmental activities:		
General government	\$ 138,761	
Public welfare	-	
Public safety	780,620	
Highways and streets	486,569	
Culture and recreation	98,271	
Capital assets held by the City's internal service funds are charged to the various functions based on their usage	<u>138,004</u>	
Total depreciation expense - governmental activities	<u>1,642,225</u>	
Business-type activities:		
Water and sanitary sewer	1,103,114	
Airport	<u>437,213</u>	
Total depreciation expense - business-type activities	<u>\$ 1,540,327</u>	

Interfund Receivables and Payables and Transfers

The composition of interfund balances as of September 30, 2021, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental Permanent street improvement Water and sanitary sewer Rent supplement Section 8 Terrell PPPF Insurance fund Airport fund	\$ 1,240,809 420,919 1,012,680 29,013 150,000 78,654 23,870
Water and sanitary sewer	Nonmajor governmental Permanent street improvement General fund	3,500 10,325 409,968
Airport fund	Water and sanitary sewer Nonmajor governmental	536,024 46,357
Nonmajor governmental	Water and sanitary sewer Terrell PPPF Insurance fund Permanent street improvement Nonmajor governmental General fund	329,581 1,000,000 313 206,517 125,142 262,153
Permanent street improvement	Economic development corporation	54,142
Terrell PPPF	General fund Nonmajor governmental	68,837 29,167
Economic development corporation	General fund	<u>234,670</u>
		\$ <u>6,272,641</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
Nonmajor governmental	General fund Terrell PPPF Permanent Street improvement Nonmajor governmental Water and sewer fund Airport	\$ 396,367 25,000 110,000 91,575 2,291,057 117,935
Terrell PPPF	General fund Nonmajor governmental	290,000 15,107
General fund	Terrell PPPF Permanent Street improvement Airport Nonmajor governmental	743,873 982,838 75,000 1,424,041
Internal service funds	General fund Nonmajor governmental	177 19,656
Airport fund	Nonmajor governmental Water and sewer fund Internal service funds	22,480 8,197 6,388
Water and sewer fund	General fund Permanent Street improvement Nonmajor governmental	2,175,005 250,000 1,819,203
		\$ <u>10,863,899</u>

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

Long-term Debt

Bonded Debt

Bonded debt of the City as of September 30, 2021, is comprised of the following individual issues:

	Interest Rates	Maturity Date	Amount of Original Issue	Amount Outstanding
Certificates of Obligation:				
Tax Supported:				
Series 2013	2.64%	2/15/2024	\$ 1,635,000	\$ 585,000
Series 2014	2.00-5.00%	2/15/2032	12,175,000	11,075,000
Series 2021	3.3600%	2/15/2034	3,030,000	3,030,000
Series 2021A	2.00-4.00%	2/15/2051	9,510,000	9,510,000
Series 2021A	.32-3.10%	2/15/2051	11,180,000	<u>11,180,000</u>
				<u>35,380,000</u>
Revenue Supported:				
Series 2003	4.00-4.70%	44972	1,500,000	225,000
Series 2011A	1.25-6.75%	51547	4,660,000	3,890,000
Series 2019A	.010-1.430%	54696	5,215,000	4,795,000
Series 2019B	1.160-2.440%	54696	5,215,000	1,620,000
Series 2020A	0.00%	51409	6,000,000	5,700,000
Series 2021	3.3600%	2/15/2034	3,545,000	3,545,000
Series 2021B	-	2/15/2051	10,045,000	10,045,000
Series 2021C	.15-1.06%	2/15/2051	1,535,000	<u>1,535,000</u>
				<u>31,355,000</u>
General Obligation Bonds:				
Series 2012	1.89%	02/15/2024	5,880,000	1,350,000
Series 2021	3.00-5.00%	02/15/2046	9,215,000	<u>9,215,000</u>
				<u>10,565,000</u>
			\$	<u>77,300,000</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:

Year Ending September 30,	Certificates of Obligation Tax Supported		General Obligation Bonds		Certificates of Obligation Revenue Supported	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	1,125,000	1,087,931	930,000	375,655	1,595,000	400,089
2023	1,205,000	1,086,475	735,000	369,898	1,620,000	374,589
2024	1,315,000	1,064,679	835,000	346,147	1,515,000	360,185
2025	1,395,000	1,037,219	480,000	321,350	1,530,000	347,747
2026	1,425,000	1,004,767	510,000	296,600	1,540,000	334,546
2027-2031	9,570,000	4,234,416	1,265,000	1,236,625	7,945,000	1,434,780
2032-2036	6,370,000	2,664,585	1,710,000	978,200	6,465,000	984,086
2037-2041	3,610,000	1,951,571	2,020,000	621,100	6,345,000	450,775
2042-2046	4,260,000	1,287,606	2,080,000	214,400	1,520,000	100,703
2047-2051	5,105,000	463,190	-	-	1,280,000	22,249
Total	\$ 35,380,000	\$ 15,882,439	\$ 10,565,000	\$ 4,759,975	\$ 31,355,000	\$ 4,809,749

Refunding Bonds Issued

In September of 2021, the City issued the General Obligation Refunding Bonds, Series 2021 in the amount of \$9,215,000, for the purpose of refunding a portion of existing bonds at a present value savings. The bonds carry and interest rate of 3-5%. The proceeds were used to refund \$10,695,000 of five previously issued bonds. The reacquisition price fell below the net carrying amount of the old debt by \$25,920 and was expensed. The refunding reduced the County's total debt service payments by \$160,452 and generated an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$936,920.

Notes Payable

As of September 30, 2021, 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, 2020, the balance on the note was \$579,281.

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, 2021, the balance on the note was \$1,380,000.

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, 2021, are as follows:

Year Ending September 30,	Principal	Interest
2021	532,248	45,155
2022	463,034	32,555
2023	448,999	21,257
2024	255,000	10,172
2025	260,000	5,136
Total	\$ 1,959,281	\$ 114,275

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 1,559,680	\$ 906,314	\$ 493,006	\$ 1,972,988	\$ 394,589
Notes payable - direct borrowing	2,365,973	215,185	621,877	1,959,281	532,248
Certificates of obligation	21,535,000	23,720,000	9,875,000	35,380,000	1,125,000
Intergovernmental payable	7,763,881	-	-	7,763,881	-
General obligation bonds	1,965,000	9,215,000	615,000	10,565,000	930,000
Bond issuance premium	386,378	3,337,528	27,599	3,696,307	-
Developer agreement payable	<u>90,500</u>	<u>-</u>	<u>-</u>	<u>90,500</u>	<u>-</u>
Governmental activities long-term liabilities	<u>35,666,412</u>	<u>37,394,027</u>	<u>11,632,482</u>	<u>61,427,957</u>	<u>2,981,837</u>
Business-type activities					
Compensated absences	77,904	75,165	92,021	61,048	12,210
Certificates of obligation - direct borrowing	<u>18,840,000</u>	<u>15,125,000</u>	<u>2,610,000</u>	<u>31,355,000</u>	<u>1,595,000</u>
Business-type activities long-term liabilities	<u>\$ 18,917,904</u>	<u>\$ 15,200,165</u>	<u>\$ 2,702,021</u>	<u>\$ 31,416,048</u>	<u>\$ 1,607,210</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, 2021.

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, 2021, 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, 2021, the estimated value of these liabilities was \$276,668.

Employee Retirement Systems and Pension Plans

Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an 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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries current receiving benefits	139
Inactive employees entitled to but not yet received benefits	66
Active employees	<u>185</u>
	<u><u>390</u></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 16.10% and 16.53% in calendar years 2020 and 2021 respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$1,914,975 and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions:

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

Inflation	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 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	\$ 62,458,491	\$ 55,663,600	\$ 6,794,891
Changes for the year:			
Service cost	2,112,764	-	2,112,764
Interest	4,191,275	-	4,191,275
Difference between expected and actual experience	408,073	-	408,073
Change in assumptions	-		
Contributions - employer	-	1,876,806	(1,876,806)
Contributions - employee	-	826,220	(826,220)
Net investment income	-	4,226,478	(4,226,478)
Benefits payments, including refunds of employee contributions	(2,843,830)	(2,843,830)	-
Administrative expense	-	(27,340)	27,340
Other change	-	(1,064)	1,064
Net changes	3,868,282	4,057,270	(188,988)
Balance at 12/31/2020	\$ 66,326,773	\$ 59,720,870	\$ 6,605,903

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-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	\$ 16,024,656	\$ 6,605,903	\$(1,123,527)

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, 2021, the City recognized pension expense of \$1,100,652. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 541,526	\$ 190,569
Changes in actuarial assumptions	36,969	-
Difference between projected and actual investment earnings	-	1,587,155
Contributions subsequent to the measurement date	<u>1,421,119</u>	<u>-</u>
 Totals	 <u>\$ 1,999,614</u>	 <u>\$ 1,777,724</u>

\$1,421,119 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, 2022. 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,	
2022	\$(584,174)
2023	183,009
2024	(786,492)
2025	(12,385)
2026	813

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	101
Inactive employees entitled to but not yet receiving benefits	19
Active employees	185
Total	305

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.21% for 2020 and 0.27% for 2021, of which 0.06% for 2020 and 0.17% for 2021 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 2020 were \$16,722 and \$6,775, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Measurement year ended December 31,	2020
Inflation rate	2.50%
Discount rate	2.00%
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 are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal 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. 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.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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 2.75% 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, 2020.

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 (2.00%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB Liability	\$ 1,020,266	\$ 841,219	\$ 703,016

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

At September 30, 2021, the City reported a liability of \$841,219 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2020. For the year ended September 30, 2021, the City recognized OPEB expense of \$85,331. 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 12/31/2019	\$ 694,151
Changes for the year:	
Service cost	33,048
Interest	19,446
Difference between expected and actual experience	(5,223)
Changes of assumptions	106,879
Benefit payments	(7,082)
Net changes	147,068
Balance at 12/31/2020	<u>\$ 841,219</u>

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 2.75% to 2.00%.

At September 30, 2021, 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	\$ 2,150	\$ 5,606
Changes in actuarial assumptions	174,714	19,676
Contributions subsequent to the measurement date	<u>14,857</u>	-
Totals	<u>\$ 191,721</u>	<u>\$ 25,282</u>

\$14,857 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, 2022. 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,

2022	\$ 32,837
2023	32,837
2024	28,416
2025	30,781
2026	20,060
Thereafter	6,651

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	15
Active employees	98
Active employees with dependant coverage	85
Total	<u>198</u>

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

Actuarial Valuation Date	September 30, 2020, rolled forward to September 30, 2021
Actuarial Cost Method	Individual Entry Age Normal Cost Method - Level Percentage of Projected Salary.
Discount Rate	2.25%
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-2019
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 2.25% 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 \$4,267,736 was measured as of September 30, 2021 and was determined by an actuarial valuation as of September 30, 2020 rolled forward to September 30, 2021.

	Total OPEB Liability
Balance at 10/01/2020	\$ 4,156,139
Changes for the year:	
Service cost	207,676
Interest on the total OPEB liability	96,025
Benefit payments	(192,104)
Net changes	111,597
Balance at 09/30/2021	<u>\$ 4,267,736</u>

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 (2.25%) in measuring the total OPEB liability.

	<u>1% Decrease in Discount Rate (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase in Discount Rate (3.25%)</u>
City's total OPEB liability	\$ 4,624,112	\$ 4,267,736	\$ 3,937,094

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.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Cost Trend Rate Assumption</u>	<u>1% Increase</u>
City's total OPEB liability	\$ 3,821,910	\$ 4,267,736	\$ 4,789,644

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB. For the year ended September 30, 2021, the County recognized OPEB expense of \$278,827. At September 30, 2021, the City reported deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,687
Changes in actuarial assumptions	<u>101,430</u>
Total	\$ <u>124,117</u>

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

<u>For the Year Ended September 30,</u>	
2022	\$ (24,873)
2023	(24,873)
2024	(24,873)
2025	(24,873)
2026	(24,625)

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.

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. 87, *Leases* – This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective for the City in fiscal year 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – The objectives of this statement are to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement will become effective for the City in fiscal year 2022.

Statement No. 91, *Conduit Debt Obligations* - The Statement provides a single method of reporting conduit debt obligation by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 will be implemented by the City in fiscal year 2023 and the impact has not yet been determined.

Statement No. 92, *Omnibus 2020* – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 92 will be implemented by the City in fiscal year 2022 and the impact has not yet been determined.

Statement No. 93, *Replacement of Interbank Offered Rates* – Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)-most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. GASB 93 will be implemented by the City in fiscal year 2022 and the impact has not yet been determined.

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). GASB 94 will be implemented by the City in fiscal year 2023 and the impact has not yet been determined.

Statement No. 96, *Subscription-Based Technology Arrangements* – this Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). 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 by the City in fiscal year 2023 and the impact has not yet been determined.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* – The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB 97 will be implemented by the City in fiscal year 2022 and the impact has not yet been determined.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF TERRELL, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Meaurement 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	<u>(2,080,054)</u>	<u>(2,023,443)</u>
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	<u>(1,887)</u>	<u>(1,803)</u>
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)	<u>\$ 7,859,074</u>	<u>\$ 9,498,169</u>
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
\$ 1,678,902	\$ 1,690,413	\$ 1,740,224	\$ 1,875,502	\$ 2,112,764
3,388,307	3,593,692	3,749,962	3,949,658	4,191,275
(22,007)	(759,364)	(77,119)	368,409	408,073
-	-	-	63,375	-
<u>(1,843,541)</u>	<u>(2,172,881)</u>	<u>(2,296,201)</u>	<u>(2,748,295)</u>	<u>(2,843,830)</u>
3,201,661	2,351,860	3,116,866	3,508,649	3,868,282
<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>53,481,116</u>	\$ <u>55,832,976</u>	\$ <u>58,949,842</u>	\$ <u>62,458,491</u>	\$ <u>66,326,773</u>
\$ 1,630,137	\$ 1,554,002	\$ 1,607,993	\$ 1,669,130	\$ 1,876,806
665,100	665,517	689,003	745,515	826,220
2,756,646	6,094,066	(1,500,162)	7,506,432	4,226,478
(1,843,541)	(2,172,881)	(2,296,201)	(2,748,295)	(2,843,830)
(31,126)	(31,574)	(28,984)	(42,397)	(27,340)
<u>(1,677)</u>	<u>(1,600)</u>	<u>(1,515)</u>	<u>(1,274)</u>	<u>(1,064)</u>
3,175,539	6,107,530	(1,529,866)	7,129,111	4,057,270
<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>43,956,825</u>	\$ <u>50,064,355</u>	\$ <u>48,534,489</u>	\$ <u>55,663,600</u>	\$ <u>59,720,870</u>
\$ 9,524,291	\$ 5,768,621	\$ 10,415,353	\$ 6,794,891	\$ 6,605,903
82.19%	89.67%	82.33%	89.12%	90.04%
\$ 9,501,425	\$ 9,507,385	\$ 9,842,896	\$ 10,650,208	\$ 11,803,150
100.24%	60.68%	105.82%	63.80%	55.97%

CITY OF TERRELL, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

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	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with 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.

2016	2017	2018	2019	2020	2021
\$ 1,675,988	\$ 1,628,132	\$ 1,599,025	\$ 1,688,716	\$ 1,790,713	\$ 1,914,975
(1,675,988)	(1,628,132)	(1,599,025)	(1,688,716)	(1,790,713)	(1,914,975)
-	-	-	-	-	-
9,707,751	9,523,303	9,784,285	10,435,005	11,292,256	11,847,344
17.26%	17.10%	16.34%	16.18%	15.86%	16.16%

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, 2021

Measurement Date December 31,	2017	2018	2019	2020
A. Total OPEB liability				
Service Cost	\$ 21,867	\$ 25,592	\$ 22,365	\$ 33,048
Interest (on the Total OPEB Liability)	18,331	18,622	20,767	19,446
Difference between expected and actual experience	- (2,281)	3,162 (5,223)		
Changes of assumptions	40,431 (37,510)		102,471 106,879	
Benefit payments, including refunds of employee contributions	(4,754)	(4,921)	(6,389)	(7,082)
Net change in Total OPEB liability	75,875 (498)		142,376	147,068
Total OPEB liability - beginning	<u>476,398</u>	<u>552,273</u>	<u>551,775</u>	<u>694,151</u>
Total OPEB liability - ending (a)	<u>552,273</u>	<u>551,775</u>	<u>694,151</u>	<u>841,219</u>
B. Covered-employee payroll				
	\$ 9,507,385	\$ 9,842,896	\$ 10,650,208	\$ 11,803,150
C. Total OPEB liability as a percentage of covered-employee payroll				
	5.81%	5.61%	6.52%	7.13%

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.

CITY OF TERRELL, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Measurement Date September 30,	2018	2019	2020	2021
A. Total OPEB liability				
Service Cost	\$ 149,830	\$ 155,913	\$ 155,913	\$ 207,676
Interest (on the Total OPEB Liability)	161,550	161,063	172,687	96,025
Differences between expected and actual experiences	-	-	(31,779)	-
Changes in assumptions	-	-	(142,084)	-
Benefit payments, including refunds of employee contributions	<u>(165,999)</u>	<u>(181,092)</u>	<u>(192,104)</u>	<u>(192,104)</u>
Net change in Total OPEB liability	145,381	135,884	(37,367)	111,597
Total OPEB liability - beginning	<u>3,912,241</u>	<u>4,057,622</u>	<u>4,193,506</u>	<u>4,156,139</u>
Total OPEB liability - ending (a)	<u>4,057,622</u>	<u>4,193,506</u>	<u>4,156,139</u>	<u>4,267,736</u>
B. Covered-employee payroll				
	\$ 9,169,796	\$ 9,169,796	\$ 10,205,273	\$ 10,205,273
C. Total OPEB liability as a percentage of covered-employee payroll				
	44.25%	45.73%	40.73%	41.82%

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*.

COMBINING STATEMENTS

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.

Fire Grants – to account for federal programs involving the Terrell Fire Department.

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.

INTERNAL SERVICE FUNDS

Insurance Fund – to account for the receipt and disbursement of medical insurance expenditures and related transfers 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

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2021

	Tourism	Infrastructure Improvements	Impact Fees	Park Land/Park Dedication Fees
ASSETS				
Cash and cash equivalents	\$ 724,989	\$ 1,269,542	\$ 343,318	\$ 1,014,743
Taxes receivable, net	-	-	-	-
Due from other funds	-	327,512	1,136,141	-
 Total assets	 \$ 724,989	 \$ 1,597,054	 \$ 1,479,459	 \$ 1,014,743
LIABILITIES				
Accounts payable	\$ -	\$ 61,136	\$ -	\$ -
Due to other funds	-	11,115	343,493	-
Unearned revenue	-	-	-	-
 Total liabilities	 -	 72,251	 343,493	 -
DEFERRED INFLOWS OF RESOURCES				
Taxes	-	-	-	-
 Total deferred inflows of resources	 -	 -	 -	 -
FUND BALANCES				
Restricted	724,989	1,524,803	1,135,966	1,014,743
Unassigned	-	-	-	-
 Total fund balances	 724,989	 1,524,803	 1,135,966	 1,014,743
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 724,989	 \$ 1,597,054	 \$ 1,479,459	 \$ 1,014,743

Grant HRA	Courthouse Technology	Courthouse Security	Certificates of Obligation Tax and Revenue Series 2004	TCDP Grant	Pavilion Rentals	Police Federal Awards
\$ 37,106	\$ 37,872	\$ 37,706	\$ -	\$ 7	\$ 26,094	\$ 397
-	-	-	-	-	448	-
<u>\$ 37,106</u>	<u>\$ 37,872</u>	<u>\$ 37,706</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 26,542</u>	<u>\$ 397</u>
\$ - 5,000	\$ 2,250	\$ 2,250	\$ 16,400	\$ 169,221	\$ -	\$ -
<u>5,000</u>	<u>2,250</u>	<u>2,250</u>	<u>16,400</u>	<u>169,221</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
32,106	35,622	35,456	(16,400)	(169,214)	26,542	397
<u>32,106</u>	<u>35,622</u>	<u>35,456</u>	<u>(16,400)</u>	<u>(169,214)</u>	<u>26,542</u>	<u>397</u>
<u>\$ 37,106</u>	<u>\$ 37,872</u>	<u>\$ 37,706</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 26,542</u>	<u>\$ 397</u>

CITY OF TERRELL, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

SEPTEMBER 30, 2021

	Edward Byrne Justice Assistance Grant			
	CO 2014 Bond	CO 2018 Bond	CO 2021 Bond	
ASSETS				
Cash and cash equivalents	\$ 261	\$ 6,822	\$ 333,348	\$ 2,241,698
Taxes receivable, net	-	-	-	-
Due from other funds	<u>200</u>	<u>90,000</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 461</u>	<u>\$ 96,822</u>	<u>\$ 333,348</u>	<u>\$ 2,241,698</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 614	\$ 86,198
Due to other funds	-	-	250,000	514,576
Unearned revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>250,614</u>	<u>600,774</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	461	96,822	82,734	1,640,924
Unassigned	-	-	-	-
Total fund balances	<u>461</u>	<u>96,822</u>	<u>82,734</u>	<u>1,640,924</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 461</u>	<u>\$ 96,822</u>	<u>\$ 333,348</u>	<u>\$ 2,241,698</u>

Fire Grants	Public Improvement District	Pedestrian Improvements Grant	Grant 721440	FEMA	Debt Service	Information Technology
\$ 1	\$ 47,764	\$ 59	\$ 34	\$ 2,410,650	\$ 1,699,879	\$ -
-	-	-	-	-	108,948	-
<u>7,847</u>	<u>-</u>	<u>119,364</u>	<u>-</u>	<u>206,467</u>	<u>-</u>	<u>-</u>
<u>\$ 7,848</u>	<u>\$ 47,764</u>	<u>\$ 119,423</u>	<u>\$ 34</u>	<u>\$ 2,617,117</u>	<u>\$ 1,808,827</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,066	\$ 98,273
-	27,975	-	-	7,847	4,167	81,651
-	-	-	-	<u>2,337,737</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>27,975</u>	<u>-</u>	<u>-</u>	<u>2,345,584</u>	<u>209,233</u>	<u>179,924</u>
-	-	-	-	-	99,828	-
-	-	-	-	-	<u>99,828</u>	<u>-</u>
7,848	19,789	119,423	34	271,533	1,499,766	-
-	-	-	-	-	-	(179,924)
<u>7,848</u>	<u>19,789</u>	<u>119,423</u>	<u>34</u>	<u>271,533</u>	<u>1,499,766</u>	<u>(179,924)</u>
<u>\$ 7,848</u>	<u>\$ 47,764</u>	<u>\$ 119,423</u>	<u>\$ 34</u>	<u>\$ 2,617,117</u>	<u>\$ 1,808,827</u>	<u>\$ -</u>

CITY OF TERRELL, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

SEPTEMBER 30, 2021

	Market Center	Cross Roads	Downtown Maint. & Op.	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 74,698	\$ -	\$ 403,234	\$ 10,710,222
Taxes receivable, net	-	-	-	108,948
Due from other funds	<u>35,727</u>	<u>-</u>	<u>-</u>	<u>1,923,706</u>
Total assets	<u>\$ 110,425</u>	<u>\$ -</u>	<u>\$ 403,234</u>	<u>\$ 12,742,876</u>
LIABILITIES				
Accounts payable	\$ 800	\$ 1,350	\$ -	\$ 453,437
Due to other funds	6,667	2,363	-	1,444,975
Unearned revenue	-	-	-	2,337,737
Total liabilities	<u>7,467</u>	<u>3,713</u>	<u>-</u>	<u>4,236,149</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes	-	-	-	99,828
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,828</u>
FUND BALANCES				
Restricted	102,958	-	403,234	8,776,150
Unassigned	-	(3,713)	-	(369,251)
Total fund balances	<u>102,958</u>	<u>(3,713)</u>	<u>403,234</u>	<u>8,406,899</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 110,425</u>	<u>\$ -</u>	<u>\$ 403,234</u>	<u>\$ 12,742,876</u>

CITY OF TERRELL, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Tourism	Infrastructure Improvements	Impact Fees	Park Land/Park Dedication Fees
REVENUES				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Hotel/motel occupancy taxes	715,795	-	-	-
Fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	1,383,735	74,597	133,600
Investment earnings	-	-	576	-
Miscellaneous	-	-	-	-
Total revenues	715,795	1,383,735	75,173	133,600
EXPENDITURES				
Current:				
General government	311,415	181,244	15,165	-
Culture and recreation	-	-	-	13,975
Capital outlay	-	102,606	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	311,415	283,850	15,165	13,975
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>404,380</u>	<u>1,099,885</u>	<u>60,008</u>	<u>119,625</u>
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	-	-	-	-
Premium on bond issuance	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(352,690)	(25,000)	-
Total other financing sources and uses	-	(352,690)	(25,000)	-
NET CHANGE IN FUND BALANCES	<u>404,380</u>	<u>747,195</u>	<u>35,008</u>	<u>119,625</u>
FUND BALANCES, BEGINNING	<u>320,609</u>	<u>777,608</u>	<u>1,100,958</u>	<u>895,118</u>
FUND BALANCES, ENDING	<u>\$ 724,989</u>	<u>\$ 1,524,803</u>	<u>\$ 1,135,966</u>	<u>\$ 1,014,743</u>

Grant HRA	Courthouse Technology	Courthouse Security	Certificates of Obligation Tax and Revenue Series 2004	TCDP Grant	Pavilion Rentals	Police Federal Awards
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	8,724	9,788	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	52	1
-	-	-	-	-	-	-
-	<u>8,724</u>	<u>9,788</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>1</u>
-	-	3,655	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	<u>3,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	<u>8,724</u>	<u>6,133</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>1</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	<u>8,724</u>	<u>6,133</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>1</u>
<u>32,106</u>	<u>26,898</u>	<u>29,323</u>	<u>(16,400)</u>	<u>(169,214)</u>	<u>26,490</u>	<u>396</u>
<u>\$ 32,106</u>	<u>\$ 35,622</u>	<u>\$ 35,456</u>	<u>\$ (16,400)</u>	<u>\$ (169,214)</u>	<u>\$ 26,542</u>	<u>\$ 397</u>

CITY OF TERRELL, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	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	142 -	- -	836 -	- -
Miscellaneous	- -	- -	- -	- -
Total revenues	<u>142</u>	<u>-</u>	<u>836</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	- -	- -	- -	- -
Culture and recreation	- -	- -	- -	- -
Capital outlay	- -	- -	739,085	1,359,076
Debt Service:				
Principal	- -	- -	- -	- -
Interest and fiscal charges	- -	- -	- -	30,000
Total expenditures	<u>-</u>	<u>-</u>	<u>739,085</u>	<u>1,389,076</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>142</u>	<u>-</u>	<u>(738,249)</u>	<u>(1,389,076)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	- -	- -	- -	3,030,000
Premium on bond issuance	- -	- -	- -	- -
Payment to bond escrow agent	- -	- -	- -	- -
Transfers in	- -	- -	- -	- -
Transfers out	- -	- -	- -	- -
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,030,000</u>
NET CHANGE IN FUND BALANCES	<u>142</u>	<u>-</u>	<u>(738,249)</u>	<u>1,640,924</u>
FUND BALANCES, BEGINNING	<u>319</u>	<u>96,822</u>	<u>820,983</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 461</u>	<u>\$ 96,822</u>	<u>\$ 82,734</u>	<u>\$ 1,640,924</u>

Fire Grants	Public Improvement District	Pedestrian Improvements Grant	Grant 721440	FEMA	Debt Service	Information Technology
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,394,260	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	30,356	-	-
-	-	-	-	-	-	-
-	-	-	-	743	2,528	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,099</u>	<u>2,396,788</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,425,231</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,052,248</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,082,776</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,135,024</u>	<u>1,425,231</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,099</u>	<u>(738,236)</u>	<u>(1,425,231)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,215,000</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,682,204</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,065,920)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,561,836</u>	<u>1,790,226</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(253,449)</u>	<u>(2,400,795)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(253,449)</u>	<u>992,325</u>	<u>1,790,226</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(222,350)</u>	<u>254,089</u>	<u>364,995</u>
<u>7,848</u>	<u>19,789</u>	<u>119,423</u>	<u>34</u>	<u>493,883</u>	<u>1,245,677</u>	<u>(544,919)</u>
<u>\$ 7,848</u>	<u>\$ 19,789</u>	<u>\$ 119,423</u>	<u>\$ 34</u>	<u>\$ 271,533</u>	<u>\$ 1,499,766</u>	<u>\$ (179,924)</u>

CITY OF TERRELL, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Market Center	Cross Roads	Downtown Maint. & Op.	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 2,394,260
Hotel/motel occupancy taxes	-	-	-	715,795
Fees and fines	-	-	-	18,512
Intergovernmental	-	-	-	30,356
Charges for services	120,420	55,523	-	1,767,875
Investment earnings	-	-	1	4,879
Miscellaneous	-	20,000	-	20,000
Total revenues	<u>120,420</u>	<u>75,523</u>	<u>1</u>	<u>4,951,677</u>
EXPENDITURES				
Current:				
General government	57,300	73,789	-	2,067,799
Culture and recreation	-	-	-	13,975
Capital outlay	-	-	-	2,200,767
Debt Service:				
Principal	-	-	-	2,052,248
Interest and fiscal charges	-	-	-	1,112,776
Total expenditures	<u>57,300</u>	<u>73,789</u>	<u>-</u>	<u>7,447,565</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>63,120</u>	<u>1,734</u>	<u>1</u>	<u>(2,495,888)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	-	-	-	12,245,000
Premium on bond issuance	-	-	-	1,682,204
Payment to bond escrow agent	-	-	-	(9,065,920)
Transfers in	20,000	20,000	-	3,392,062
Transfers out	-	-	-	(3,031,934)
Total other financing sources and uses	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>5,221,412</u>
NET CHANGE IN FUND BALANCES	<u>83,120</u>	<u>21,734</u>	<u>1</u>	<u>2,725,524</u>
FUND BALANCES, BEGINNING	<u>19,838</u>	<u>(25,447)</u>	<u>403,233</u>	<u>5,681,375</u>
FUND BALANCES, ENDING	<u>\$ 102,958</u>	<u>\$ (3,713)</u>	<u>\$ 403,234</u>	<u>\$ 8,406,899</u>

CITY OF TERRELL, TEXAS

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	<u>Insurance</u>	<u>Equipment Replacement</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,423,464	\$ 726,252	\$ 4,149,716
Total current assets	<u>3,423,464</u>	<u>726,252</u>	<u>4,149,716</u>
Non-current assets:			
Capital assets:			
Vehicles and equipment	-	4,897,916	4,897,916
Accumulated depreciation	<u>-</u>	<u>(3,434,408)</u>	<u>(3,434,408)</u>
Total non-current assets	<u>-</u>	<u>1,463,508</u>	<u>1,463,508</u>
Total assets	<u>3,423,464</u>	<u>2,189,760</u>	<u>5,613,224</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	-	33,793	33,793
Deferred outflows - supplemental death benefits	<u>-</u>	<u>3,240</u>	<u>3,240</u>
Total deferred outflows of resources	<u>-</u>	<u>37,033</u>	<u>37,033</u>
LIABILITIES			
Current liabilities:			
Accounts payable	276,668	26,613	303,281
Due to other funds	78,967	-	78,967
Other accrued expenses	-	9,544	9,544
Compensated absences	-	2,671	2,671
Total OPEB liability - TMRS SDBF	-	283	283
Total OPEB liability - retiree health	<u>-</u>	<u>3,247</u>	<u>3,247</u>
Total current liabilities	<u>355,635</u>	<u>42,358</u>	<u>397,993</u>
Non-current liabilities:			
Compensated absences	-	11,279	11,279
Net pension liability	-	111,640	111,640
Total OPEB liability - TMRS SDBF	-	13,934	13,934
Total OPEB liability - retiree health	<u>-</u>	<u>68,878</u>	<u>68,878</u>
Total non-current liabilities	<u>-</u>	<u>205,731</u>	<u>205,731</u>
Total liabilities	<u>355,635</u>	<u>248,089</u>	<u>603,724</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	-	30,044	30,044
Deferred inflows - supplemental death benefits	-	427	427
Deferred inflows - retiree health	<u>-</u>	<u>2,098</u>	<u>2,098</u>
Total deferred inflows of resources	<u>-</u>	<u>32,569</u>	<u>32,569</u>
NET POSITION			
Net investment in capital assets	-	1,463,508	1,463,508
Unrestricted	<u>3,067,829</u>	<u>482,627</u>	<u>3,550,456</u>
Total net position	<u>\$ 3,067,829</u>	<u>\$ 1,946,135</u>	<u>\$ 5,013,964</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, 2021

	<u>Insurance</u>	<u>Equipment Replacement</u>	<u>Total</u>
OPERATING REVENUES			
Maintenance services	\$ -	\$ 1,472,580	\$ 1,472,580
Insurance premiums	3,845,055	-	3,845,055
Miscellaneous	28,610	22,287	50,897
Total operating revenues	<u>3,873,665</u>	<u>1,494,867</u>	<u>5,368,532</u>
OPERATING EXPENSES			
Personnel services	-	309,661	309,661
Miscellaneous services	-	612,286	612,286
Administrative fees	1,098,679	-	1,098,679
Repairs and maintenance	-	93,922	93,922
Supplies	-	275,989	275,989
Insurance claims and expenses	1,479,340	-	1,479,340
Depreciation	-	138,004	138,004
Total operating expenses	<u>2,578,019</u>	<u>1,429,862</u>	<u>4,007,881</u>
OPERATING INCOME (LOSS)			
	1,295,646	65,005	1,360,651
NON-OPERATING REVENUES (EXPENSES)			
Gain (loss) on disposal of assets	-	86,268	86,268
Investment earnings	914	-	914
Transfers in	-	6,388	6,388
Transfers out	-	(19,833)	(19,833)
Total non-operating revenue (expenses)	<u>914</u>	<u>72,823</u>	<u>73,737</u>
CHANGE IN NET POSITION			
	1,296,560	137,828	1,434,388
TOTAL NET POSITION, BEGINNING			
	<u>1,771,269</u>	<u>1,808,307</u>	<u>3,579,576</u>
TOTAL NET POSITION, ENDING			
	<u>\$ 3,067,829</u>	<u>\$ 1,946,135</u>	<u>\$ 5,013,964</u>

CITY OF TERRELL, TEXAS

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Insurance	Equipment Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 3,873,665	\$ 1,494,867	\$ 5,368,532
Cash paid for services and insurance claims	(2,714,291)	- (2,714,291)	(2,714,291)
Cash paid to suppliers for goods and services	- (993,122)	(993,122)	(993,122)
Cash paid to employees for services	- (334,478)	(334,478)	(334,478)
Net cash provided by operating activities	<u>1,159,374</u>	<u>167,267</u>	<u>1,326,641</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	- (13,445)	(13,445)	(13,445)
Net cash provided by noncapital financing activities	<u>- (13,445)</u>	<u>(13,445)</u>	<u>(13,445)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	- 46,744	46,744	46,744
Proceeds from sale of capital assets	- 86,268	86,268	86,268
Principal paid on long-term debt	- 11,279	11,279	11,279
Net cash used for capital and related financing activities	<u>- 144,291</u>	<u>144,291</u>	<u>144,291</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	<u>914</u>	- 914	914
Net cash provided by investing activities	<u>914</u>	- 914	914
INCREASE IN CASH	1,160,288	298,113	1,458,401
CASH AND CASH EQUIVALENTS, BEGINNING	<u>2,263,176</u>	<u>428,139</u>	<u>2,691,315</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>3,423,464</u>	<u>726,252</u>	<u>4,149,716</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	1,295,646	65,005	1,360,651
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	- 138,004	138,004	138,004
Decrease (increase) in deferred outflows of resources	- (5,374)	(5,374)	(5,374)
Increase (decrease) in accounts payable	(194,926)	(10,925)	(205,851)
Increase (decrease) in due to other funds	58,654	-	58,654
Increase (decrease) in deferred inflows of resources	- (10,969)	(10,969)	(10,969)
Increase (decrease) in net pension obligation	- (3,194)	(3,194)	(3,194)
Increase (decrease) in total OPEB liability - TMRS SDBF	- 2,485	2,485	2,485
Increase (decrease) in total OPEB liability - retiree health	- 1,887	1,887	1,887
Increase (decrease) in accrued liabilities	- 1,034	1,034	1,034
Increase (decrease) in compensated absences	<u>- (10,686)</u>	<u>(10,686)</u>	<u>(10,686)</u>
Net cash provided by operating activities	<u>\$ 1,159,374</u>	<u>\$ 167,267</u>	<u>\$ 1,326,641</u>

SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Terrell, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Terrell, Texas' major federal programs for the year ended September 30, 2021. The City of Terrell, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Terrell, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Terrell, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Terrell, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Terrell, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

OFFICE LOCATIONS

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

City of Terrell, Texas' response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Terrell, Texas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Terrell, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Terrell, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Terrell, Texas' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

The City of Terrell Texas' response to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Waco, Texas
July 10, 2022

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Terrell, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Terrell, Texas' basic financial statements, and have issued our report thereon dated July 10, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

OFFICE LOCATIONS

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Waco, Texas
July 10, 2022

CITY OF TERRELL, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Pass-through Expenditures
<u>U. S. Department of Housing and Urban Development</u>				
Passed through Texas Department of Agriculture:				
CDBG - Entitlement Grants Cluster -				
Community Development Block Grant	14.218	7218002	\$ 2,750	- -
Total Passed through Texas Department of Agriculture			<u>2,750</u>	- -
Direct Program:				
Section 8 Housing Choice Vouchers Program	14.871	B-07-MC-48-0042	2,647,550	- -
Section 8 Housing Choice Vouchers Program	14.871	B-07-MC-48-0042	<u>316,518</u>	- -
Total Direct Program			<u>2,964,068</u>	- -
Total Housing Voucher Cluster			<u>2,964,068</u>	- -
Total U. S. Department of Housing and Urban Development			<u>2,966,818</u>	- -
<u>Institute of Museum and Library Services</u>				
Passed through Texas State Library and Archives Commission:				
Inter-Library Loan Grant Program	45.310	901195	3,685	- -
Library Technology Academy Grant	45.310	101015	9,188	- -
COVID-19 - Grants to States CARES	45.310	101015	<u>23,294</u>	- -
Total 45.310			<u>36,167</u>	- -
Total Passed through Texas State Library and Archives Commission			<u>36,167</u>	- -
Total Institute of Museum and Library Services			<u>36,167</u>	- -
<u>U. S. Environmental Protection Agency</u>				
Passed through Texas Water Development Board:				
Capitalization Grants for Clean Water State Revolving Funds - 2019A	66.458	73807 - LM19882	960,957	- -
Capitalization Grants for Clean Water State Revolving Funds - 2020A	66.458	73807 - LM20882	<u>682,460</u>	- -
Total Clean Water State Revolving Fund Cluster			<u>1,643,417</u>	- -
Capitalization Grants for Drinking Water State Revolving Funds - 2019B	66.468	62808 - LM1000881	<u>13,230</u>	- -
Total Drinking Water State Revolving Fund Cluster			<u>13,230</u>	- -
Total Passed through Texas Water Development Board			<u>1,656,647</u>	- -
Total U. S. Environmental Protection Agency			<u>1,656,647</u>	- -
Total Expenditures of Federal Awards			\$ <u>4,659,632</u>	\$ <u>-</u>

CITY OF TERRELL, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES FEDERAL AWARDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of the City. The City's reporting entity is defined in Note I of the basic financial statements. Federal awards received directly from federal agencies, as well as awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

INDIRECT COSTS

The City has elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.

CITY OF TERRELL, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Summary of Auditor's Results:

Financial Statements:

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified?	None reported

Noncompliance material to financial statements noted?

None

Federal Awards:

Internal control over major programs:

 Material weakness(es) identified?

Item 2021-001

 Significant deficiency(ies) identified?

None reported

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance?

Item 2021-001

Identification of major programs:

Federal Assistance Listing Number
14.871

Name of Federal Program or Cluster:
Housing Voucher Cluster

Dollar threshold used to distinguish between type A and type B programs

\$750,000

Auditee qualified as low-risk auditee for federal single audit?

Yes

Findings Relating to the Financial Statements

Which Are Required to be Reported in Accordance With Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

Item 2021-001

CITY OF TERRELL, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Item 2021-001: Housing Voucher Cluster, Assistance Listing 14.871

Compliance Requirement: Reporting

Criteria: Title 2 CFR 200.512 requires that the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Cause: There were some accounting items that needed resolved prior to issuance of report.

Effect: Because the data collection form was not submitted within nine months of the audit period, the City did not comply with Title 2 CFR 200.512.

Recommendation: The City should make all efforts to ensure the data collection form is submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Management's Response: The City is in the process of working on fiscal year 2022 information to ensure that data collection form will be filed in accordance with Title 2 CFR 200.512.

CITY OF TERRELL, TEXAS

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

None