

CITY OF GROESBECK, TEXAS

ANNUAL FINANCIAL REPORT

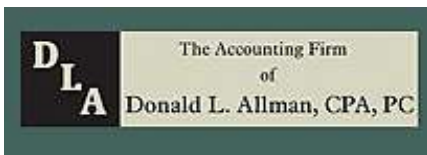
For the Year Ended September 30, 2020

Introductory Section

City of Groesbeck
Annual Financial Report
For the Year Ended September 30, 2020
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Financial Section



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CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Mayor and City Council
City of Groesbeck, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Groesbeck, Texas as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Groesbeck, 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Groesbeck, Texas as of September 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof 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, budgetary comparison information, and Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions on pages 3-9, and 46-48, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2021 on our consideration of the City of Groesbeck, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Groesbeck, Texas' internal control over financial reporting and compliance.

Respectfully submitted,



Donald L. Allman, CPA, PC

Georgetown, Texas
March 5, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Groesbeck's annual financial report presents our discussion and analysis of the City's financial performance during the year ended September 30, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined net position on financial statement exhibit A-1 was \$9,788,371 at September 30, 2020.
- During the year, the City's proprietary fund reported net income of \$879,708 before transfers. The City's general fund reported a net loss of \$(91,160) before transfers.
- The general fund reported a governmental fund balance this year on financial statement exhibit A-3 of \$1,440,927. The general fund had a net position decrease of \$(71,079) on the governmental funds basis before transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how general government services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide the information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to which the resources in question belong.
- *Business-type* activities fund statements provide information about the for-profit activities and services.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and deferred outflows of resources less liabilities and deferred inflows of resources – is one way to measure the city's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental Activities* and *Business-type Activities*. Most of the City's basic services are included as *Governmental Activities*, such as general government, public safety, public services, and sanitation. Property taxes, sales taxes, charges for services and grants finance most of these activities. The City's enterprise revenues are reflected as *Business-type Activities*.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* – The City charges customers for the services it provides, whether to outside customers or to other units within the city. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary funds – The City is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities for the city's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was 9.8 million at September 30, 2020. (See Table A-1).

Table A-1
City of Groesbeck's Net Position

	2020	2019	Total Percentage Change Sept. 2020 - Sept. 2019
Current assets:			
Cash and cash equivalents	1,830,262	1,096,017	67
Investments	879,495	866,025	2
Due from other governments	-	-	-
Other receivables	601,579	625,150	(4)
Inventories - supplies and materials	52,593	51,902	-
Total current assets	3,363,929	2,639,094	27.5
Noncurrent assets:			
Land, furniture and equipment	24,999,290	24,722,204	1
Less accumulated depreciation	(12,719,073)	(11,985,730)	6
Other assets	128,234	142,378	(10)
Total noncurrent assets	12,408,451	12,878,852	(4)
Total Assets	15,772,380	15,517,946	2
Deferred outflows of resources	236,283	219,872	-

Table A-1
City of Groesbeck's Net Position

	2020	2019	Total Percentage Change Sept. 2020 - Sept. 2019
Current liabilities:			
Account payable and accrued liabilities	198,818	179,527	11
Short-term debt	-	-	-
Consumer deposits	134,566	134,566	-
Total current liabilities	<u>333,384</u>	<u>314,093</u>	<u>6</u>
Long-term liabilities:			
Net Pension Liability	175,026	295,148	(41)
Net OPEB Liability	109,515	86,952	
Noncurrent liabilities due in one year	560,000	597,621	(6)
Noncurrent liabilities due more than 1 year	<u>4,749,000</u>	<u>5,309,000</u>	<u>(11)</u>
Total long term Liabilities	<u>5,593,541</u>	<u>6,288,721</u>	<u>(11)</u>
Deferred inflows of resources	<u>293,367</u>	<u>135,181</u>	<u>117</u>
Net Position:			
Net Investment in Capital Assets	6,971,217	6,829,853	2
Restricted	984,246	881,611	12
Unrestricted	<u>1,832,908</u>	<u>1,288,359</u>	<u>42</u>
Total Net Position	<u>9,788,371</u>	<u>8,999,823</u>	<u>\$ 9</u>

As of September 30, 2020, the City has \$984,246 in restricted net position that represents requirements for debt service. The \$1,832,908 of unrestricted net position represents resources to be available to fund the programs of the City next year.

Changes in net position – The City's total revenues were \$5,431,159. A significant portion, 38 percent, of the City's revenue comes from taxes, while 61 percent relates to charges for services.

The total cost of all programs and services was \$4,642,611, with 51 percent of these costs being for governmental activities.

Table A-2
Changes in City of Groesbeck's Net Position

	<u>September 2020</u>	<u>September 2019</u>	<u>Total Percentage Change Sept. 2020 - Sept. 2019</u>
Program Revenues:			
Charges for Services	3,318,464	2,999,442	10.64
Operating Grants and Contribution	-	-	
Capital Grants and Contributions	-	-	-
Grant Revenues	12,749	12,055	5.76
Taxes	2,065,194	1,904,319	8.45
Investment Earnings	26,752	26,078	2.58
Other	8,000	8,000	-
Total Revenues	<u>5,431,159</u>	<u>4,949,894</u>	<u>9.72</u>
General Government	783,794	867,751	(9.68)
Public Safety	808,778	795,912	1.62
Highways and Streets	352,015	347,946	1.17
Sanitation	476,199	455,966	4.44
Culture and Recreation	341,065	353,880	(3.62)
Economic Development Assistance	175,681	241,174	(27.16)
Water and Sewer	1,614,092	1,641,406	(1.66)
Other	90,987	101,224	(10.11)
Total Expenses	<u>4,642,611</u>	<u>4,805,259</u>	<u>(3.38)</u>
Excess Before Other Resources			
Uses and Transfers	788,548	144,635	<u>445.20</u>
Prior Period Adjustment	-	-	<u>-</u>
Transfers In (Out)	-	-	<u>-</u>
Increase in Net Position	<u>788,548</u>	<u>144,635</u>	<u>445.20</u>

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

The cost of all *governmental activities* this year was 2.552 million.

However, the amount that our taxpayers paid for these activities through property taxes was only \$985 thousand. Some of the cost was paid by those who directly benefited from the programs.

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services			Net Cost of Services		
	2020	2019	% Change	September 2020	September 2019	% Change
General Government	772,740	783,239	(1.34)	557,104	505,702	10.16
Public Safety	808,778	795,912	1.62	784,145	766,520	2.30
Highways and Streets	352,015	347,946	1.17	352,015	347,946	1.17

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

Total revenues actually received were \$445,446 more than budgeted, and total expenses were \$1,808 less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, the City had invested \$24,999,290 in a broad range of capital assets, including land, equipment, buildings, infrastructure and vehicles (See Table A-4). This amount represents a net decrease (including additions and depreciation) of \$(456,257) or 4% over last year.

Table A-4
City's Capital Assets

	September 2020	September 2019	Total Percentage Change Sept. 2020 - Sept. 2019
Land	1,000,699	1,000,699	-
Infrastructure	1,344,148	1,281,170	4.92
Buildings and improvements	16,475,929	16,475,929	-
Water and sewer system	2,404,472	2,370,230	1.44
Equipment	3,514,855	3,334,989	5.39
Leased assets	259,187	259,187	-
Totals at historical cost	24,999,290	24,722,204	1.12
 Total accumulated depreciation	 12,719,073	 11,985,730	 6.12
 Net capital assets	 12,280,217	 12,736,474	 (3.58)

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

Long Term Debt

At year-end the City had \$5.6 million in bonds, leases and notes outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
City's Long Term Debt

	September 2020	September 2019	Total Change Sept.2020 - Sept. 2019
Leases payable	-	-	
Bonds payable	5,309,000	5,856,000	(9.34)
Notes payable	-	50,621	(100.00)
Net Pension Liability	175,026	295,148	(40.70)
Net OPEB Liability	109,515	86,952	
	-	-	
Totals bonds & notes payable	5,593,541	6,288,721	(11.05)

Economic Factors and Next Year's budgets and Rates

The City's budgetary general fund balance is not expected to change appreciably by the close of fiscal year 2020.

Contacting the City's Financial Management

This financial report is to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Groesbeck's Business Services Department at P.O. Box 227, Groesbeck, Texas 76672 or phone number 254-729-3293.

Basic Financial Statements

CITY OF GROESBECK, TEXAS
STATEMENT OF NET POSITION
September 30, 2020

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and Cash Equivalents	\$ 556,101	\$ 289,915	\$ 846,016
Investments	319,657	559,838	879,495
Receivables (net of allowances for uncollectibles)	334,224	267,355	601,579
Internal Balances	-	-	-
Receivable from Fiduciary	-	-	-
Inventory	-	52,593	52,593
Bond Issuance Costs, net	-	128,234	128,234
Restricted assets:	-		
Cash	455,826	528,420	984,246
Investments	-	-	-
Land	941,278	59,421	1,000,699
Building & Equipment, net	3,990,819	7,288,699	11,279,518
Total Assets	6,597,905	9,174,475	15,772,380
Deferred Outflows of Resources	185,531	50,752	236,283
<u>LIABILITIES</u>			
Accounts Payable and Other Current Liabilities	179,331	19,487	198,818
Short-Term Debt	-	-	-
Consumer Deposits	-	134,566	134,566
Unearned revenue-property taxes	-		-
Accrued Liabilities	-	-	-
Notes Payable - Current	-	-	-
Leases Payable - Current	-	-	-
Bonds Payable - Current	83,000	477,000	560,000
Noncurrent Liabilities			
Net Pension Liability	134,292	40,734	175,026
Net OPEB Liability	70,338	39,177	109,515
Notes Payables - Noncurrent	-	-	-
Leases Payables - Noncurrent	-	-	-
Bonds Payable - Noncurrent	950,000	3,799,000	4,749,000
Deferred Inflows of Resources	190,219	103,148	293,367
Net Investment in Capital Assets	3,899,097	3,072,120	6,971,217
Restricted For:			-
Debt Service	109,969	528,420	638,389
Construction	-	-	-
Other	-	-	-
Economic Development Corporation	345,857	-	345,857
Unrestricted	821,333	1,011,575	1,832,908
Total Net Position	\$ 5,176,256	\$ 4,612,115	\$ 9,788,371

The accompanying notes are an integral part of this statement

CITY OF GROESBECK, TEXAS
STATEMENT OF ACTIVITIES
September 30, 2020

EXHIBIT A-2

Functions / Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for	Grants and	Governmental	Business-type	Total
		Services	Contributions	Activities	Activities	
Governmental Activities						
General Government	\$ 772,740	\$ 215,636	\$ -	\$ (540,835)	\$ (27,323)	\$ (568,158)
Public Safety	808,778	11,884	12,749	(784,145)	-	(784,145)
Highway and Streets	352,015	-	-	(352,015)	-	(352,015)
Sanitation	476,199	588,271	-	112,072	-	112,072
Culture and Recreation	341,065	20,752	-	(320,313)	-	(320,313)
Economic Development Assistance	175,681	-	-	(175,681)	-	(175,681)
Debt Service - Interest	90,987	-	-	(30,359)	(60,628)	(90,987)
Total Governmental Activities	3,017,465	836,543	12,749	(2,168,173)	(87,951)	(2,256,124)
				-		-
Business-type Activities:						
Water and Sewer	1,614,092	2,558,818	-	-	944,726	944,726
Total Business-type Activities	1,614,092	2,558,818	-	-	944,726	944,726
Total Primary Government	\$ 4,631,557	\$ 3,395,361	\$ 12,749	\$ (2,168,173)	\$ 856,775	\$ (1,311,398)
General Revenues:						
				\$ 985,926	\$ -	\$ 985,926
Property Taxes				882,964	-	882,964
Sales Taxes				138,462	-	138,462
Franchise Taxes				57,842	-	57,842
Taxes, Hotel - Motel				8,000	-	8,000
Intergovernmental				3,819	22,933	26,752
Investment Earnings				873,594	(873,594)	-
Transfers				2,950,607	(850,661)	2,099,946
Total General Revenues						-
				782,434	6,114	788,548
Change in Net Position				4,393,822	4,606,001	8,999,823
Net Position - Beginning				-	-	-
Prior Period Adjustment				\$ 5,176,256	\$ 4,612,115	\$ 9,788,371
Net Position Ending						

CITY OF GROESBECK, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2020

	General Fund	Economic Development Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND OTHER DEBITS				
Assets:				
Cash and Cash Equivalents	\$ 416,220	\$ 155,128	\$ 175,482	\$ 746,830
Investments	21	102,036	217,600	319,657
Receivables (net of allowance for uncollectibles)	331,057	88,693	3,167	422,917
Due from Other Funds	-	-	-	-
Inventory	-			-
Restricted Assets:				
Cash	265,097	-	-	265,097
Investments	-	-	-	-
Total Assets and Other Debits	<u>\$ 1,012,395</u>	<u>\$ 345,857</u>	<u>\$ 396,249</u>	<u>\$ 1,754,501</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 178,041	\$ -	\$ 1,290	\$ 179,331
Due to Other Funds	-	-	-	-
Accrued Liabilities	-	-	-	-
Unearned Revenue	134,243	-	-	134,243
Short-Term Debt	-	-	-	-
Total Liabilities	<u>312,284</u>	<u>-</u>	<u>1,290</u>	<u>313,574</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	345,857	-	345,857
Assigned	-	-	394,959	394,959
Unassigned	700,111	-	-	700,111
Total Fund Balance	<u>700,111</u>	<u>345,857</u>	<u>394,959</u>	<u>1,440,927</u>
Total Liabilities and Fund Balance	<u>\$ 1,012,395</u>	<u>\$ 345,857</u>	<u>\$ 396,249</u>	<u>\$ 1,754,501</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
September 30, 2020

Total fund balances - governmental funds balance sheet	\$ 1,440,927
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred Outflows of resources are not recorded in governmental funds	185,531
Deferred Inflows of resources are not recorded in governmental funds	(190,219)
Capital assets used in governmental activities are not reported in the funds.	4,932,097
Note receivable unavailable to pay	(88,693)
for current period expenditures are deferred in the funds.	134,243
Net Pension Liability & Net OPEB Liability is not recorded in governmental funds	(151,214)
Payables for capital leases which are not due in the current period are not reported in the funds	(53,416)
Payables for notes payable which are not due in the current period are not reported in the funds	-
Payables for bonds payable which are not due in the current period are not reported in the funds.	<u>(1,033,000)</u>
Net position of governmental activities - statement of net position	<u>\$ 5,176,256</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
September 30, 2020

	General Fund	Economic Development Fund	Other Governmental Funds	Total Governmental Funds
Revenue:				
General Property Taxes	\$ 989,867	\$ -	\$ -	\$ 989,867
General Sales and Use Taxes	443,508	219,728	-	663,236
Street Maintenance Sales Tax	-	-	109,864	109,864
Civic Center Sales Tax	-	-	109,864	109,864
Franchise Taxes	138,462	-	-	138,462
Taxes, Hotel - Motel	-	-	57,842	57,842
Intergovernmental	8,000	-	-	8,000
Charges for Services	799,609	18,994	17,940	836,543
Fines	-	-	-	-
Investment Earnings	48	1,120	2,651	3,819
Contributions and Donations	-	-	12,839	12,839
Total Revenues	<u>2,379,494</u>	<u>239,842</u>	<u>311,000</u>	<u>2,930,336</u>
Expenditures:				
General Government	513,004	-	85,163	598,167
Public Safety	734,527	-	14,710	749,237
Highways and Streets	187,718	-	116,314	304,032
Sanitation	476,199	-	-	476,199
Culture and Recreation	307,300	-	-	307,300
Economic Development and Assistance	-	175,681	-	175,681
Debt Service	161,764	-	-	161,764
Capital Outlay	229,035	-	-	229,035
Total Expenditures	<u>2,609,547</u>	<u>175,681</u>	<u>216,187</u>	<u>3,001,415</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(230,053)</u>	<u>64,161</u>	<u>94,813</u>	<u>(71,079)</u>
Other Financing Sources (Uses):				
Operating Transfer In/(Out)	873,594	-	-	873,594
Grants	-	-	-	-
Interfund transfers	<u>(40,355)</u>	<u>-</u>	<u>40,355</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>833,239</u>	<u>-</u>	<u>40,355</u>	<u>873,594</u>
Fund Balances - Beginning	<u>96,925</u>	<u>281,696</u>	<u>259,791</u>	<u>638,412</u>
Fund Balances - Ending	<u>\$ 700,111</u>	<u>\$ 345,857</u>	<u>\$ 394,959</u>	<u>\$ 1,440,927</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
September 30, 2020

Net Change in fund balances - total governmental funds	\$ 802,515
--	------------

Amounts reported for governmental activities in the statement of activities ("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	229,035
The depreciation of capital assets used in governmental activities is not reported in the funds.	(261,823)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(3,941)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	50,621
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	83,000
Net Pension expense is not included in governmental funds	(26,404)
Net OPEB expense is not included in governmental funds	(6,758)
Changes in deferred outflows and deferred inflows are not included in Govt. funds	<u>(83,811)</u>

Change in net position of governmental activities - statement of activities	<u><u>\$ 782,434</u></u>
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The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2020

EXHIBIT A-7

	Enterprise Fund
	Utility Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 289,915
Investments	559,838
Receivables (net of allowances for uncollectibles)	267,355
Due from other funds	-
Inventories	52,593
Total Current Assets	<u>1,169,701</u>
Noncurrent Assets:	
Restricted Cash, Cash Equivalents and Investments -	
Cash and Cash Equivalents	528,420
Investments	-
Bond Issuance Costs	128,234
Land	59,421
Property, Plant and Equipment - Net	<u>7,288,699</u>
Total Noncurrent Assets	<u>8,004,774</u>
Total Assets	<u>9,174,475</u>
Deferred Outflows of Resources	50,752
LIABILITIES:	
Current Liabilities:	
Accounts payable	19,487
Due to other funds	-
Accrued liabilities	-
Capital Leases Payable from Restricted Assets -	-
Current Liabilities Payable from Restricted Assets -	
Consumer deposits	134,566
Revenue bonds payable	477,000
Net OPEB Liability	39,177
Net Pension Liability	40,734
Noncurrent Liabilities Payable from Restricted Assets -	
Revenue Bonds Payable	<u>3,799,000</u>
Total Liabilities	<u>4,509,964</u>
Deferred Inflows of Resources	103,148
NET POSITION:	
Net Investment in Capital Assets	3,072,120
Restricted for:	
Debt Service	528,420
Construction	-
Other	-
Retained Earnings	<u>1,011,575</u>
Total Net Position	<u>\$ 4,612,115</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS
September 30, 2020

	Enterprise Fund Utility Fund
OPERATING REVENUES:	
Water	1,517,264
Sewer	754,811
Miscellaneous	270,474
Total Operating Revenues	<u>2,542,549</u>
OPERATING EXPENSES:	
Administration expenses	294,094
Water operations	487,640
Sewer operations	357,748
Repairs, maintenance & supplies expense	-
Total Pension & OPEB expense	-
Depreciation & Amortization	485,664
Total Operating Expenses	<u>1,625,146</u>
Operating Income	<u>917,403</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Revenue	22,933
Grants	-
Donations and Contributions	-
Interest Expense & Fees	(60,628)
Total Non-operating Revenues (Expenses)	<u>(37,695)</u>
Income before Transfers	879,708
Operating Transfers Out	<u>(873,594)</u>
Change in Net Position	6,114
Total Net Position - Beginning	<u>4,606,001</u>
	-
Total Net Position - Ending	<u>\$ 4,612,115</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
September 30, 2020

	Enterprise Fund
	Utility Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 2,574,016
Cash Payments to Employees for Services	(402,359)
Cash Payments to Other Suppliers for Goods & Services	(783,978)
Net cash provided by operating activities	1,430,174
Cash Flows from Non-capital Financing Activities:	
Operating Transfers To Other Funds	(873,594)
Net cash used for non-capital financing activities	(873,594)
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Issuance of Long-term Debt	-
Grant Proceeds	-
Donations and Contributions	-
Principal and Interest Paid	(527,628)
Acquisition or Construction of Capital Assets	(48,051)
Cash Transfers to Restricted Cash for Debt Service	(792)
Net cash used for capital & related financing activities	(576,471)
Cash Flows from Investing Activities:	
(Increase)/Decrease in Investments	5,678
Interest and Dividends on Investments	22,933
Net cash used for investment activities	28,611
Net Decrease in Cash and Cash Equivalents	8,720
Cash and Cash Equivalents at Beginning of Year	281,195
Cash and Cash Equivalents at End of Year	\$ 289,915
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 917,403
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	471,520
Bond amortization	14,144
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	31,467
Decrease (Increase) in Interfund Receivables	-
Decrease (Increase) in Inventory	(691)
Increase (Decrease) in Accounts Payable	-
Increase (Decrease) in Accrued Liabilities	(14,723)
Increase (Decrease) in Consumer Deposits	-
Total Pension expense is not a cash expense	-
Total Adjustments	501,717
Net Cash Provided by Operating Activities	\$ 1,419,120

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2020

	Agency Fund
	Payroll Clearing Fund
ASSETS:	
Cash and Cash Equivalents	\$ -
Total Assets	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>
LIABILITIES:	
Accounts Payable	-
Due to Other Funds	-
Total Liabilities	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION	
Fund Balance	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies

The financial statements of City of Groesbeck (the City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: (1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and (2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and (3) such economic resources are significant to the City.

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements – The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies

Basis of Presentation, Basis of Accounting

Basis of Presentation

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – This is the city's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Economic Development Fund – The fund accounts for the receipt of dedicated sales tax proceeds and the approved expenditures associated with area economic development.

The City reports the following major enterprise funds:

Utility Fund – This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

In addition, the City reports the following fund types:

Fiduciary funds are reported in the fiduciary fund statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support city programs, these funds are not included in the government-wide statements.

Agency Funds (a fiduciary fund) are used to report activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies

Basis of Presentation, Basis of Accounting

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual-basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The city does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Financial Statement Amounts

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies

Financial Statement Amounts

Property Taxes

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Inventories

The City records purchases of supplies as expenditures during the year. Year-end adjustments reflect the purchase method of accounting for inventory. Inventories are recorded at cost on a first-in, first-out basis.

Capital Assets

Purchased or constructed capital assets, including infrastructure assets, are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land	-
Infrastructure	40
Buildings & Improvements	10-40
Water & Sewer Systems	20-50
Equipment & Furniture	3-10

Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

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 the City'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

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by the TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(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 contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- 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. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or 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 only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies
2. Financial Statement Amounts

Interfund Activity

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

Fund Equity

The City implemented GASB Statement No. 54 during the year ending September 30, 2013. GASB Statement No. 54 requires analysis and presentation of fund balance in five categories. The new fund balance categories are:

- *Non-spendable* – Includes items that are not in a spendable form because they are either legally or contractually required to be maintained intact.
- *Restricted* – Includes items that are restricted by external creditors, grantors, or contributors, or restricted by legal constitutional provisions.
- *Committed* – Includes items committed by the City Council, by resolution of the Council. Commitments may be modified or rescinded by similar resolution.
- *Assigned* – Includes items assigned by specific uses, authorized by the City Manager and/or finance director.
- *Unassigned* – This is the residual classification used for those balances not assigned to another category in the General Fund. Deficit fund balance in other governmental funds are also presented as unassigned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The order of spending available resources is as follows: restricted, committed, assigned, and unassigned.

The following detail of fund balances by classification is shown for governmental funds.

	General Fund	Economic Development Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Inventory	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Debt Service	-	-	-	-
Committed to:				
Economic development	-	345,857	-	345,857
Hotel Motel			101,868	101,868
Street improvements	-	-	(6,173)	(6,173)
Convention Center	-	-	109,007	109,007
Assigned to:				
Public safety	-	-	-	-
Culture and recreation	-	-	55,089	55,089
Unassigned	700,111	-	-	700,111
	<u>\$ 700,111</u>	<u>\$ 345,857</u>	<u>\$ 259,791</u>	<u>\$ 1,305,759</u>

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
3. Prior to the start of the fiscal year, the budget is legally enacted through passage of an ordinance by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

Reclassifications

Certain reclassifications have been made to the 2020 information to conform it to the 2020 presentation.

2. Compliance and Accountability

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

Deficit Fund Balance or Fund Net Position of Individual funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None Reported	Not Applicable	Not Applicable

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

3. Deposits and Investments

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

Cash Deposits

At September 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,709,757 and the bank balance was \$2,983,210. The City's cash deposits at September 30, 2020 and during the year ended September 30, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The City is required by Government Code chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment and management, and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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

The Act determines the types of investment which are allowable for the City. These include with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers applications, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at September 30, 2020 are shown below:

<u>Investment</u>	<u>Maturity</u>	<u>Reported Amount</u>	<u>Fair Value</u>
		\$ -	\$ -
		-	-
Citizens State Bank	Various	\$ 226,739	\$ 226,739
Logic	Various	652,693	652,693
		<u>\$ 879,432</u>	<u>\$ 879,432</u>
Total Investments		<u>\$ 879,432</u>	<u>\$ 879,432</u>

Analysis of Specific Deposit and Investment Risk

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

3. Deposits and Investments

Analysis of Specific Deposit and Investment Risk

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the city's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the city's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

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

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

3. Deposits and Investments

Public Funds Investments Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act), chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have business relationships with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA- or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

4. Capital Assets

Capital assets activity for the period ended September 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 941,278	\$ -	\$ -	\$ 941,278
Construction in progress	-	-	-	-
Total capital assets not being depreciated	941,278	-	-	941,278
Capital assets being depreciated				
Infrastructure	1,281,170	62,978	-	1,344,148
Buildings and improvements	3,418,396	-	-	3,418,396
Equipment/Vehicles	2,139,268	166,057	-	2,305,325
Leased assets	259,187	-	-	259,187
Total capital assets being depreciated	7,098,021	229,035	-	7,327,056
Less accumulated depreciation for:				
Infrastructure	(326,033)	(69,453)	-	(395,486)
Buildings and improvements	(781,806)	(93,815)	-	(875,621)
Equipment	(1,728,170)	(98,555)	-	(1,826,725)
Leased assets	(238,405)	-	-	(238,405)
Total accumulated depreciation	(3,074,414)	(261,823)	-	(3,336,237)
Total capital assets being depreciated, net	4,023,607	(32,788)	-	3,990,819
governmental activities capital assets, net	\$ 4,964,885	\$ (32,788)	\$ -	\$ 4,932,097

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

4. Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 59,421	\$ -	\$ -	\$ 59,421
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>59,421</u>	<u>-</u>	<u>-</u>	<u>59,421</u>
Capital assets being depreciated				
Buildings and improvements	13,057,533	-	-	13,057,533
Improvements other than buildings	2,370,230	34,242	-	2,404,472
Equipment	1,195,721	13,809	-	1,209,530
Total capital assets being depreciated	<u>16,623,484</u>	<u>48,051</u>	<u>-</u>	<u>16,671,535</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,329,277)	(390,836)	-	(6,720,113)
Improvements other than buildings	(1,476,466)	(46,415)	-	(1,522,881)
Equipment	(1,105,573)	(34,269)	-	(1,139,842)
Total accumulated depreciation	<u>(8,911,316)</u>	<u>(471,520)</u>	<u>-</u>	<u>(9,382,836)</u>
Total capital assets being depreciated, net	<u>7,712,168</u>	<u>(423,469)</u>	<u>-</u>	<u>7,288,699</u>
governmental activities capital assets, net	<u>\$ 7,771,589</u>	<u>\$ (423,469)</u>	<u>\$ -</u>	<u>\$ 7,348,120</u>

Depreciation was charged to functions as follows:

General Government	\$ 120,534
Public Safety	59,541
Highways and Streets	47,983
Sanitation	-
Culture and Recreation	33,765
Economic Development	-
	<u>\$ 261,823</u>

5. Interfund Balances and Activity

Due To and From Other Funds

Balances due to and due from other funds at September 30, 2020, consisted of the following:

	Due From Fund	Amount	Purpose
General Fund	Fiduciary Funds	\$ -	Short-term loans
General Fund	Enterprise Fund	-	Short-term loans
General Fund	Other Governmental Funds	-	Short-term loans
Enterprise Fund	Fiduciary Funds	-	Short-term loans
Enterprise Fund	General Fund	-	Short-term loans
Enterprise Fund	Other Governmental Funds	-	Short-term loans
Total		<u>\$ -</u>	

All amounts due are scheduled to be repaid within one year.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

5. Interfund Balances and Activity

Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2020, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Fiduciary Fund	General Fund	\$ -	Supplement other funds sources
Enterprise Fund	General Fund	873,594	Supplement other funds sources
Total		<u>\$ 873,594</u>	

6. Long-Term Obligations

Long-Term obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2020 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Capital leases	\$ -	\$ -	\$ -	\$ -	\$ -
Notes	50,621	-	(50,621)	-	-
General Obligation Bond	761,000	-	(45,000)	716,000	47,000
General Obligation Bond	352,000	-	(35,000)	317,000	36,000
General Obligation Bond	-	-	-	-	-
Total governmental activities	<u>\$ 1,163,621</u>	<u>\$ -</u>	<u>\$ (130,621)</u>	<u>\$ 1,033,000</u>	<u>\$ 83,000</u>

7. Long-Term Obligations

Long-Term Obligation Activity

Note payable to an agency of the State of Texas in the original amount of \$590,000, dated September 7, 2005. Current interest rate is 3.25% with the note payable being due in monthly installments of \$4,286 through September 1, 2020. The balance at September 30, 2020 is \$0. The loan was used by the Economic Development fund to refund an existing debt and to provide resources for future projects.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

\$848,000 General Obligation Refunding Bonds, Series 2017 for Civic Center Sales Tax, due in annual installments of \$43,000 to \$64,000 through February 15, 2033, bearing interest at 2.72%. The balance at September 30, 2020 was \$716,000.

\$419,000 General Obligation Refunding Bonds, Series 2017 for Property Tax, due in annual installments of \$33,000 to \$45,000 through February 15, 2028, bearing interest at 2.72%. The balance at September 30, 2020 was \$317,000.

Bonds payable at September 30, 2020 were comprised of the following issues:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type activities:					
General obligation bonds	\$ 4,743,000	\$ -	\$ 467,000	\$ 4,276,000	\$ 477,000
Capital leases	-	-	-	-	-
	<u>4,743,000</u>	<u>-</u>	<u>467,000</u>	<u>4,276,000</u>	<u>477,000</u>
Less deferred amount on bond refundings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 4,743,000</u>	<u>\$ -</u>	<u>\$ 467,000</u>	<u>\$ 4,276,000</u>	<u>\$ 477,000</u>

\$1,025,000 2006 tax and utility system surplus revenue certificates of obligation, due in annual installments of \$30,000 to \$35,000 through August 15, 2036, bearing interest at the rate of -0-%. The balance at September 30, 2020 is \$535,000.

\$2,000,000 2007 combination tax and revenue certificates of obligation, due in annual installments of \$100,000 through February 15, 2027, bearing interest at the rate of -0-%. The balance at September 30, 2020 is \$700,000.

\$2,150,000 2008 combination tax and revenue certificates of obligation, due in annual installments of \$71,000 to \$72,000 through February 15, 2040, bearing interest at the rate of -0-%. The balance at September 30, 2020 is \$1,430,000.

\$2,700,000 2010 general obligation refunding bonds, due in annual installments of \$70,000 to \$285,000 through February, 2024, bearing interest rates from 2.00% to 4.00%. The balance at September 30, 2020 is \$1,145,000.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

7. Long-Term Obligations

Long-Term Obligation Activity

\$531,000 2017 General Obligation Refunding Bonds, Series 2017 Water & Sewer, due in annual installments of \$5000-310,000 through February 15, 2026, bearing interest at the rate of 2.72%. The balance at September 30, 2020 is \$466,000.

Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2020 are as follows:

0

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

<u>Year Ending September 30</u>	<u>Governmental Activities-Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	83,000	26,969	109,969
2022	85,000	24,684	109,684
2023	86,000	19,883	105,883
2024	90,000	21,188	111,188
2025	92,000	18,742	110,742
2026-2027	191,000	27,323	218,323
2028-2032	342,000	29,362	371,362
2033	64,000	870	64,870
Totals	<u>\$ 1,033,000</u>	<u>\$ 169,021</u>	<u>\$ 1,202,021</u>

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

7. Long-Term Obligations

Long-Term Obligation Activity

Debt Service Requirements

<u>Year Ending September 30,</u>	<u>Business-type Activities-Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	477,000	51,420	528,420
2022	487,000	40,580	527,580
2023	497,000	19,252	516,252
2024	660,000	12,268	672,268
2025	500,000	23,668	523,668
2026-2027	404,000	13,574	417,574
2028-2032	533,000	-	533,000
2033-2037	505,000	-	505,000
2038-2040	213,000	-	213,000
Totals	<u>\$ 4,276,000</u>	<u>\$ 160,762</u>	<u>\$4,436,762</u>

Prior Year Defeasance of Bonds

During the year ended March 31, 2011, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds were not included in the City's financial statements. Furthermore, as of March 31, 2013, none of the bonds considered defeased were still outstanding.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

8. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2013, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its excess risk insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

9. Pension Plan

Plan Description

The City of Groesbeck participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual report (CAFR) that can be obtained at www.tmrs.com.

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

B. 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 payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>31</u>
Total	63

CITY OF GROESBECK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

C. Contributions

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

Employees for the City of Groesbeck were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Groesbeck were 5% and 5% in calendar years 2020 and 2019 respectively. The city's contributions to TMRS for the year ended September 30, 2019 were \$32,236, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.5% per year

Investment Rate of Return 6.75% net of pension plan investment expense, including inflation

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

CITY OF GROESBECK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2015, first used in the December 31, 2016 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
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.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

City of Groesbeck		
Schedule of Changes in Net Pension Liability and Related Ratios Current Period		
September 30, 2020		
A. Total pension liability		
1. Service Cost	\$	81,145
2. Interest (on the Total Pension Liability)		120,103
3. Changes of benefit terms		-
4. Difference between expected and actual experience		425
5. Changes of assumptions		2,144
6. Benefit payments, including refunds of employee contributions		(68,644)
7. Net change in total pension liability	\$	135,173
8. Total pension liability - beginning		1,773,051
9. Total pension liability - ending	\$	1,908,224
B. Plan fiduciary net position		
1. Contributions - employer	\$	32,236
2. Contributions - employee		64,401
3. Net investment income		228,632
4. Benefit payments, including refunds of employee contributions		(68,644)
5. Administrative Expense		(1,291)
6. Other		(39)
7. Net change in plan fiduciary net position	\$	255,295
8. Plan fiduciary net position - beginning		1,477,903
9. Plan fiduciary net position - ending	\$	1,733,198
C. Net pension liability [A.9-B.9]	\$	175,026
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]		90.83%
E. Covered-employee payroll	\$	1,288,016
F. Net pension liability as a percentage of covered employee payroll [C / E]		13.59%

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$413,307	\$175,026	\$(24,585)
Pension Plan Fiduciary Net Position			

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

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

CITY OF GROESBECK		
SCHEDULE OF PENSION EXPENSE		
SEPTEMBER 30, 2020		
1.	Total Service Cost	\$ 81,145
2.	Interest on the Total Pension Liability	120,103
3.	Current Period Benefit Changes	-
4.	Employee Contributions (Reduction of Expense)	(64,401)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(99,758)
6.	Administrative Expense	1,291
7.	Other Changes in Fiduciary Net Position	39
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	530
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets	(25,775)
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(5,378)
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets	27,409
12.	Total Pension Expense	<u>\$ 35,205</u>

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

CITY OF GROESBECK						
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE						
SEPTEMBER 30, 2020						
	Recognition			2019		
	Period (or	Total (Inflow)		Recognized	Deferred	
	amortization	or Outflow of		in current	(Inflow) Outflow	
	yrs)	Resources		pension expense	in future expense	
Due to Liabilities:						
Difference in expected and actual experience [actuarial (gains) or losses]	4.8500	\$ 425		\$ 88	\$ 337	
Difference in assumption changes [actuarial (gains) or losses]	4.8500	\$ 2,144		\$ 442	\$ 1,702	
				<u>\$ 530</u>	<u>\$ 2,039</u>	
Due to Assets:						
Difference in projected and actual earnings	5.0000	\$ (128,874)		\$ (25,775)	\$ (103,099)	
on pension plan investments [actuarial (gains) or losses]				<u>\$ (25,775)</u>	<u>\$ (103,099)</u>	
Total:					<u>\$ (101,060)</u>	
Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:						
	Net deferred					
	outflows					
	(inflows) of					
	resources					
2020	\$ (18,990)					
2021	(19,223)					
2022	3,431					
2023	(25,325)					
2024	-					
Thereafter	-					
Total	<u>\$ (60,107)</u>					

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

Notes to the Financial Statements for an Employer Contributing to a Cost-Sharing Multiple-Employer Defined Benefit Healthcare Plan

Schedule of Contribution Rates

(Retiree-only portion of the rate, for OPEB)

Plan/ Annual Required Percentage of

Calendar Contribution Actual Contribution Made ARC contributed

Year (Rate) (Rate)

2015 0.02% 0.02% 100.0%

2016 0.03% 0.03% 100.0%

2017 0.02% 0.02% 100.0%

2018 0.03% (city to provide) (city to provide)

2019 0.04% (city to provide) (city to provide)

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

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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

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

The City's contributions to the TMRS SDBF for the years ended 2019, 2018 and 2017 were 3%, 3%, and 3%, respectively, which equaled the required contributions each year.

Net Other Post Employment Benefits Liability.

Actuarial Assumptions

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. These assumptions were adopted in 2015 and first used in the December 31, 2015 valuation.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

The Mortality Experience Investigation Study covering 2009 through 2011 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	2.75%

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

Changes in the Net Other Post Employment Benefits Liability

	Increase (Decrease) Total OPEB Liability
Balance at 12/31/18	\$86,952
Changes for the year	
Service Cost	3,478
Interest on Total OPEB liability	3,278
Changes of benefit terms	0
Differences between expected and actual experience	(1,128)
Changes in assumption or other inputs	17,579
Benefit payments	(644)
Net changes	22,563
Total OPEB Liability – end of year	\$ 109,515

Total OPEB Liability as a Percentage of Covered Payroll 8.5%

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

The following presents the total OPEB liability of the City, calculated using the current discount rate of 2.75% as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.75%) or -1 percentage point higher (4.75%) than the current rate. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity Index's 20 year Municipal GO AA Index.

1% Decrease in		1% Increase in	
	Discount Rate (2.31%)	Discount Rate (3.31%)	Discount Rate (4.31%)
Total OPEB liability	\$131,054	\$ 109,515	\$ 92,426

CITY OF GROESBECK			
SCHEDULE OF OPEB EXPENSE			
SEPTEMBER 30, 2020			
1.	Total Service Cost		\$ 3,478
2.	Interest on the Total OPEB Liability		3,278
3.	Changes in benefit terms		-
4.	Employer administrative costs		-
5.	Recognition of deferred outflows/inflows of resources		-
6.	Differences between expected and actual experience		(709)
7.	Changes in assumptions or other inputs		2,964
8.	Total OPEB Expense		9,011

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

CITY OF GROESBECK						
SCHEDULE OF OPEB OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE						
SEPTEMBER 30, 2020						
	Recognition			2018		
	Period (or	Total (Inflow)		Recognized		Deferred
	amortization	or Outflow of		in current		(Inflow) Outflow
	yrs)	Resources		opec expense		in future expense
Due to Liabilities:						
Difference in expected and actual experience [actuarial (gains) or losses]	6.2500	\$ (1,128)		\$ (180)		\$ (948)
Difference in assumption changes [actuarial (gains) or losses]	6.2500	\$ 17,579		\$ 2,813		\$ 14,766
				<u>\$ 2,633</u>		<u>\$ 13,818</u>
Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:						
	Net deferred					
	outflows					
	(inflows) of					
	resources					
2020	\$ 2,255					
2021	2,255					
2022	2,255					
2023	1,630					
2024	2,043					
Thereafter	653					
Total	\$ 11,091					

Other Information

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:
Total covered payroll * retiree Portion of SDB Contribution (Rate)

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

10. Health Care Coverage

During the year ended September 30, 2020, employees of the City were covered by a health insurance plan (the Plan). The city paid premiums of \$460 per month per employee to the Plan. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by State statute chapter 172 and was documented by contractual agreement.

11. Restricted Assets

At September 30, 2020, the following cash and investments are classified as restricted on the Balance Sheets of the Governmental Funds and Proprietary Fund:

	Cash and Cash Equivalents	Texpool	Texstar	Logic	Total
Water Deposits	\$ -	\$ -	\$ -	\$ -	\$ -
Construction	-	-	-	-	-
Debt retirement	528,420	-	-	-	528,420
Total	\$ 528,420	\$ -	\$ -	\$ -	\$ 528,420

12. Accounts Receivable

General Fund accounts receivable consists substantially of ad valorem tax receivables of \$134,243 amounts due to the City for sales tax of \$73,592, due from other governmental agencies for franchise fees, accounts receivables are \$126,389 for a net of \$334,224.

Economic Development Fund receivable consists of \$ 88,693 due from a company relating to the sale of City property that was financed by the City.

Proprietary fund receivables consist substantially of \$582,465 due to the City for water and sewer services, less an allowance for uncollectible accounts of \$315,110 for a net of \$267,355.

13. Commitments and Contingencies

Contingencies

The city participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

14. Subsequent Events

No subsequent of material audit significance noted.

Required Supplementary Information

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

CITY OF GROESBECK, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
General Property Taxes	\$ 923,000	\$ 923,000	\$ 989,867	\$ 66,867
General Sales and Use Taxes	350,000	350,000	663,236	313,236
Street Maintenance Sales Tax	90,000	90,000	109,864	19,864
Civic Center Sales Tax	80,000	80,000	109,864	29,864
Franchise Taxes	140,000	140,000	138,462	(1,538)
Taxes, Hotel-Motel	70,000	70,000	57,842	(12,158)
Charges for Services	691,775	691,775	710,800	19,025
Fines	140,000	140,000	133,743	(6,257)
Investment Earnings	115	115	3,819	3,704
Contributions and Donations	-	-	12,839	12,839
Total revenues	<u>2,484,890</u>	<u>2,484,890</u>	<u>2,930,336</u>	<u>445,446</u>
Expenditures:				
General Government	807,282	807,282	598,167	209,115
Public Safety	906,721	906,721	749,237	157,484
Highways and Streets	421,816	421,816	304,032	117,784
Sanitation	417,000	417,000	476,199	(59,199)
Culture and Recreation	377,821	377,821	307,300	70,521
Economic Development and Assist	-	-	175,681	(175,681)
Debt Service	72,583	72,583	161,764	(89,181)
Capital Outlay	-	-	229,035	(229,035)
Total Expenditures	<u>3,003,223</u>	<u>3,003,223</u>	<u>3,001,415</u>	<u>1,808</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(518,333)</u>	<u>(518,333)</u>	<u>(71,079)</u>	<u>447,254</u>
Other Financing Sources (Uses):				
Other Transfers In	465,272	465,272	873,594	408,322
Grants	-	-	-	-
transfer from reserves	-	-	-	-
Total Other Financing Sources	<u>465,272</u>	<u>465,272</u>	<u>873,594</u>	<u>408,322</u>
Net Change in Fund Balances	(53,061)	(53,061)	802,515	855,576
Fund Balances - Beginning	<u>638,412</u>	<u>638,412</u>	<u>638,412</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 585,351</u>	<u>\$ 585,351</u>	<u>\$ 1,440,927</u>	<u>\$855,576</u>

See Auditors' Report.

CITY OF GROESBECK, TEXAS
PROPRIETARY FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended September 30, 2020

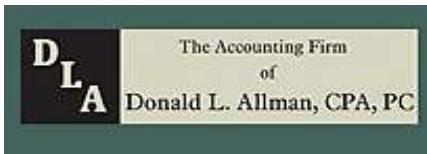
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Water Sales	\$ 1,330,000	\$ 1,330,000	\$ 1,517,264	\$ 187,264
Sewer Sales	676,000	676,000	754,811	78,811
Sale of scrap materials	2,500	2,500	-	(2,500)
Miscellaneous	20,000	20,000	270,474	250,474
Penalties	30,000	30,000	-	(30,000)
Interest income	6,000	6,000	22,933	16,933
Water tower rent	3,000	3,000	-	(3,000)
Total revenues	2,067,500	2,067,500	2,565,482	497,982
Admin Expense	274,746	274,746	294,094	(19,348)
Water Department	638,709	638,709	487,640	151,069
Wastewater Department	386,492	386,492	357,748	28,744
Repairs maintenance supplies	-	-	-	-
Pension & OPEB expense	-	-	-	-
Debt Service/Interest Expense	533,628	533,628	60,628	473,000
Depreciation	-	-	485,664	(485,664)
Total Expenditures	1,833,575	1,833,575	1,685,774	147,801
Excess (Deficiency) of Revenues Over (Under) Expenditures	233,925	233,925	879,708	645,783
Other Financing Sources (Uses):				
Transfers In	211,740	211,740	-	(211,740)
Transfers Out	(445,665)	(445,665)	(873,594)	(427,929)
Total Other Financing Sources (Uses)	(233,925)	(233,925)	(873,594)	(639,669)
Net Change in Fund Balances	-	-	6,114	6,114
Fund Balances - Beginning	4,638,635	4,638,635	4,606,001	(32,634)
Fund Balances - Ending	\$ 4,648,635	\$ 4,648,635	\$ 4,612,115	\$ (42,634)

City of Groesbeck						
Statement of Changes in Net Pension Liability and Related Ratios						
Last ten years (will ultimately be displayed)						
Total pension liability	2014	2015	2016	2017	2018	2019
1. Service Cost	\$ 81,515	84,373	80,757	76,296	78,212	81,145
2. Interest (on the Total Pension Liability)	89,657	96,154	99,711	107,566	113,069	120,103
3. Changes of benefit terms	-	-	-	-	-	-
4. Difference between expected and actual experience	(10,564)	(44,427)	2,374	(19,615)	(5,779)	425
5. Changes of assumptions	-	44,805	-	-	-	2,144
6. Benefit payments, including refunds of employee contributions	(45,389)	(93,066)	(57,982)	(70,499)	(96,872)	(68,644)
7. Net change in total pension liability	\$ 115,219	87,839	124,860	93,748	88,630	135,173
8. Total pension liability - beginning	1,262,755	1,377,974	1,465,813	1,590,673	1,684,421	1,773,051
9. Total pension liability - ending	\$ 1,377,974	1,465,813	1,590,673	1,684,421	1,773,051	1,908,224
Plan fiduciary net position						
1. Contributions - employer	\$ 32,267	31,881	29,704	29,780	31,013	32,236
2. Contributions - employee	66,371	66,856	62,797	60,265	61,778	64,401
3. Net investment income	62,339	1,778	81,858	183,901	(45,821)	228,632
4. Benefit payments, including refunds of employee contributions	(45,389)	(93,066)	(57,982)	(70,499)	(96,872)	(68,644)
5. Administrative Expense	(651)	(1,083)	(924)	(953)	(885)	(1,291)
6. Other	(54)	(53)	(50)	(48)	(46)	(39)
7. Net change in plan fiduciary net position	\$ 114,883	6,313	115,403	202,446	(50,833)	255,295
8. Plan fiduciary net position - beginning	1,089,691	1,204,574	1,210,887	1,326,290	1,528,736	1,477,903
9. Plan fiduciary net position - ending	\$ 1,204,574	1,210,887	1,326,290	1,528,736	1,477,903	1,733,198
Net pension liability [A.9-B.9]	\$ 173,400	254,926	264,383	155,685	295,148	175,026
Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	87.42%	82.61%	83.38%	90.76%	83.35%	90.83%
Covered-employee payroll	\$ 1,327,419	\$ 1,337,125	1,255,938	1,205,307	1,235,569	1,288,016
Net pension liability as a percentage of covered employee payroll [C / E]	13.06%	19.07%	21.05%	12.92%	23.89%	13.59%

City of Groesbeck								
Schedule of Contributions								
Last 10 Fiscal Years (will ultimately be displayed)								
September 30, 2020								
		2014	2015	2016	2017	2018	2019	
Actually Determined Contribution		\$ 98,638	\$ 98,737	\$ 92,501	\$ 90,045	92,791	96,637	
Contributions in relation to the actuarially								
determined contribution		<u>98,638</u>	<u>98,737</u>	<u>92,501</u>	<u>90,045</u>	92,791	96,637	
		-		-	-	-	-	
Contribution deficiency (excess)		-	-	-	-	-		
Covered employee payroll		\$ 1,327,419	\$1,337,125	\$1,255,938	\$1,205,307	1,235,569	1,288,016	
Contributions as a percentage of covered								
employee payroll		7.43%	7.38%	7.37%	7.47%	7.51%	7.50%	
	Notes to Schedule							
Valuation Date determined		12/31/2018						
Notes								
Valuation Date:								
Notes	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	25 Years							
Asset Valuation Method	10 Year Smoothed Market 15% Soft Corridor							
Inflation	2.5%							
Salary Increases	3.50% to 10.50% 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 2015 valuation pursuant to an experience study of the							
	period 2010-2014							
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male							
	rates multiplied by 109% and female rates multiplied by 103% and projected							
	on a fully generational basis with scale BB							

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.



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CERTIFIED PUBLIC ACCOUNTANT

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

To the Mayor & City Council
City of Groesbeck, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Groesbeck, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Groesbeck, Texas' basic financial statements, and have issued our report thereon dated March 5, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Donald L. Allman, CPA, PC
Georgetown, TX
March 5, 2021

