

CITY OF ALVORD, TEXAS

Financial Statements
(With Auditor's Report Thereon)

September 30, 2022

CITY OF ALVORD, TEXAS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor And Members of the City Council
City of Alvord
Alvord, Texas 76225

Opinions

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

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

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and required supplementary information on pages 4–8, 18, and 42-47, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Vail + Park, P.C.

Richardson, Texas

May 4, 2023

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Management's Discussion and Analysis

As management of the City of Alvord, we offer readers of the City of Alvord's financial statements this narrative overview and analysis of the financial activities of the City of Alvord for the year ended September 30, 2022. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

- The assets of the City of Alvord exceeded its liabilities at the close of the most recent fiscal year by \$ \$4,205,601 (net position). Of this amount, \$367,558 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$263,597. This increase is attributable to water and sewer revenues and grant revenues from business-type activities and increase in sales and property taxes from governmental activities.
- As of the close of the current fiscal year, the City of Alvord's governmental funds reported combined ending fund balances of \$972,727, a decrease of \$88,448 in comparison with the prior year. Of the fund balance, \$570,647 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$454,122 or 64 percent of total general fund expenditures.
- As of the close of the current fiscal year, the City of Alvord proprietary fund reported total net position of \$ \$2,467,055 including unrestricted net position of \$(204,056). Proprietary fund net position increased by \$207,640.
- The City of Alvord's long-term debt decreased by \$165,280 during the current fiscal year. This was due to scheduled repayments.
- The City purchased \$29,654 of equipment and spent \$1,106,067 on construction projects within the Water and Sewer Fund and made \$167,453 of improvements within the Economic Development Fund.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Alvord's basic financial statements. The City of Alvord's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Alvord that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Alvord include general government, public safety, public works/streets, and recreation. The business-type activities of the City of Alvord include the water and sewer system and sanitation services.

The government-wide financial statements include not only the City of Alvord itself (known as the primary government) but also a legally separate economic development corporation. Financial information for the component unit is reported separately from the financial information presented for the primary government itself. The economic development corporation does not issue separate financial statements.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Alvord, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Alvord can be divided into two categories: governmental funds and proprietary funds.

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

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

The City of Alvord maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and special revenue fund. All three funds are considered to be major funds.

The City of Alvord adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-18 of this report.

Proprietary Funds. The City of Alvord maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Alvord uses enterprise funds to account for its Water and Sewer and Sanitation operations.

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

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-39 of this report.

Government – Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Alvord, assets exceed liabilities by \$4,205,601 at the close of the most recent fiscal year.

A portion of the City of Alvord’s net position (82 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Alvord uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Alvord’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Alvord’s net position (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$367,558 may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Alvord is able to report positive balances in all three categories of net position for the government as a whole.

CITY OF ALVORD – Net Position

	Governmental Activities		Business-Type Activities		Total	
	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21
Current & Other Assets	\$ 1,078,488	\$ 1,087,868	\$ 383,595	\$ 877,460	\$ 1,462,083	\$ 1,965,328
Capital Assets	782,556	669,059	4,127,111	3,098,726	4,909,667	3,767,785
Total Assets	1,861,044	1,756,927	4,510,706	3,976,186	6,371,750	5,733,113
Deferred Outflows of Resources	6,762	15,773	13,127	21,569	19,889	37,342
Long-Term Liabilities	24,717	49,869	1,469,614	1,582,878	1,494,331	1,632,747
Other Liabilities	87,737	20,024	554,542	133,928	642,279	153,952
Total Liabilities	112,454	69,893	2,024,156	1,716,806	2,136,610	1,786,699
Deferred Inflows of Resources	16,806	20,218	32,622	21,534	49,428	41,752
Net Position:						
Net Invested in Capital Assets	764,852	625,715	2,671,111	1,528,726	3,435,963	2,154,441
Restricted	402,080	334,002	-	178,768	402,080	512,770
Unrestricted	571,614	722,872	(204,056)	551,921	367,558	1,274,793
Total Net Position	\$ 1,738,546	\$ 1,682,589	\$ 2,467,055	\$ 2,259,415	\$ 4,205,601	\$ 3,942,004

CITY OF ALVORD – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21
Revenues:						
Program Revenues:						
Charges for Services	\$ 38,940	\$ 16,075	\$ 614,203	\$ 583,642	\$ 653,143	\$ 599,717
Grants & Contributions	149,761	168,036	232,225	212,384	381,986	380,420
General Revenues:						
Property Taxes	421,443	402,398	-	-	421,443	402,398
Other Taxes	327,711	290,238	-	-	327,711	290,238
Other	29,296	3,968	34,147	85,754	63,443	89,722
Total Revenues	<u>967,151</u>	<u>880,715</u>	<u>880,575</u>	<u>881,780</u>	<u>1,847,726</u>	<u>1,762,495</u>
Expenses:						
General Government Activities	813,374	733,992	-	-	813,374	733,992
Business-Type Activities	-	-	770,755	682,983	770,755	682,983
Total Expenses	<u>813,374</u>	<u>733,992</u>	<u>770,755</u>	<u>682,983</u>	<u>1,584,129</u>	<u>1,416,975</u>
Increase/(Decrease) in Net Position Before Transfers	153,777	146,723	109,820	198,797	263,597	345,520
Transfer In/(Out)	(97,820)	(43,668)	97,820	43,668	-	-
Increase/(Decrease) in Net Position	55,957	103,055	207,640	242,465	263,597	345,520
Net Position - Beginning	1,682,589	1,579,534	2,259,415	2,016,950	3,942,004	3,596,484
Net Position - Ending	<u>\$1,738,546</u>	<u>\$1,682,589</u>	<u>\$2,467,055</u>	<u>\$2,259,415</u>	<u>\$4,205,601</u>	<u>\$3,942,004</u>

The following key elements influenced the changes in net position from the prior year:

Governmental Activities:

Revenues exceeded expenditures by \$55,957. Property and sales taxes increased in comparison with the prior year.

Business – Type Activities

Business–Type activities increased the City of Alvord’s net position by \$207,640. Operating results were \$34,825 less than the prior year. Revenues remain consistent, while expenses slightly increased from the prior year.

Financial Analysis of the Government’s Funds

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

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

At the end of the current fiscal year, the City of Alvord’s governmental funds reported combined ending fund balances of \$972,727, a decrease of \$88,488 from the prior year. Of the current combined ending fund balance, \$570,647 is unassigned, \$362,456 is assigned and \$39,624 is restricted.

The general fund is the main operating fund of the City of Alvord. At the end of the current fiscal year, unassigned fund balance of the general fund was \$454,122. Total unassigned fund balance represents 64% of total general fund expenditures.

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

Unrestricted net position of the Enterprise Fund at the end of the year amounted to \$(204,056). The total increase in net position of the Enterprise Fund was \$207,640. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Alvord's business type activities.

General Fund Budgetary Highlights

During the year, revenues and expenditures exceeded budgetary estimates. The budget had called for a \$0 change in fund balance. Actual results increased the fund balance by \$80,589.

Capital Asset and Debt Administration

Capital Assets. The City of Alvord's investment in capital assets for its governmental and business-type activities as of September 30, 2022, was \$4,909,667 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and systems, and equipment. The change in capital assets during the year was a result of depreciation expense of \$161,292, and asset additions of \$1,303,174 and net disposals of \$0.

Additional information on the City of Alvord's capital assets can be found on page 30 of the notes to the financial statements.

Long-Term Debt. At the end of the current fiscal year, the City of Alvord had long-term debt outstanding of \$1,473,704.

The City of Alvord's long-term debt decreased by \$139,640 due to scheduled repayments.

Additional information on the City of Alvord's long-term debt can be found on pages 31 and 32 of the notes to the financial statements.

Request for Information

This financial report is designed to provide a general overview of the City of Alvord's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Alvord, City Administrator, 215 E. Elm Street, Alvord, Texas 76225.

BASIC FINANCIAL STATEMENTS

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CITY OF ALVORD, TEXAS

Statement of Net Position

September 30, 2022

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 976,177	\$ 306,490	\$ 1,282,667
Investments	11,017	28,841	39,858
Receivable (Net of Allowance for Uncollectibles)	37,156	62,115	99,271
Interfund Receivables/(Payables)	40,440	(40,440)	-
Capital Assets Not Being Depreciated:			
Land	153,866	207,812	361,678
Construction in Progress	-	1,861,549	1,861,549
Capital Assets (Net of Accumulated Depreciation):			
Building & Improvements	355,256	1,958,878	2,314,134
Equipment & Vehicles	273,434	98,872	372,306
Net Pension Asset	13,698	26,589	40,287
Total Assets	<u>1,861,044</u>	<u>4,510,706</u>	<u>6,371,750</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to TMRS Pension	5,241	10,174	15,415
Deferred Outflow Related to TMRS OPEB	1,521	2,953	4,474
Total Deferred Outflows of Resources	<u>6,762</u>	<u>13,127</u>	<u>19,889</u>
LIABILITIES			
Accounts Payable	75,651	318,558	394,209
Unearned Revenues	-	199,495	199,495
Accrued Expense	12,086	13,917	26,003
Accrued Interest Payable	-	4,125	4,125
Deposits	-	18,447	18,447
Noncurrent Liabilities:			
Due Within One Year	17,704	225,000	242,704
Due in More Than One Year	-	1,231,000	1,231,000
Net OPEB Liability	7,013	13,614	20,627
Total Liabilities	<u>112,454</u>	<u>2,024,156</u>	<u>2,136,610</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to TMRS Pension	14,824	28,775	43,599
Deferred Inflow Related to TMRS OPEB	1,982	3,847	5,829
Total Deferred Inflows of Resources	<u>16,806</u>	<u>32,622</u>	<u>49,428</u>
NET POSITION			
Net Invested in Capital Assets	764,852	2,671,111	3,435,963
Restricted	402,080	-	402,080
Unrestricted	571,614	(204,056)	367,558
Total Net Position	<u>\$ 1,738,546</u>	<u>\$ 2,467,055</u>	<u>\$ 4,205,601</u>

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

CITY OF ALVORD, TEXAS
Statement of Activities
For the Year Ended September 30, 2022

Functions/Programs	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 360,911	\$ 38,940	\$ -	\$ -
Public Safety	148,295	-	88,931	-
Public Works/Streets	168,980	-	-	-
Culture & Recreation	130,477	-	60,830	-
Interest & Fiscal Charges	4,711	-	-	-
Total Governmental Activities	<u>813,374</u>	<u>38,940</u>	<u>149,761</u>	<u>-</u>
Business-Type Activities:				
Water & Sewer	655,861	519,706	-	232,225
Garbage Collection	114,894	94,497	-	-
Total Business-Type Activities	<u>770,755</u>	<u>614,203</u>	<u>-</u>	<u>232,225</u>
Total Primary Government	<u>\$ 1,584,129</u>	<u>\$ 653,143</u>	<u>\$ 149,761</u>	<u>\$ 232,225</u>

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Hotel Taxes
Unrestricted Investment Earnings
Miscellaneous Revenue
Transfers
Total General Revenues & Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and

Change in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (321,971)	\$ -	\$ (321,971)
(59,364)	-	(59,364)
(168,980)	-	(168,980)
(69,647)	-	(69,647)
(4,711)	-	(4,711)
<u>(624,673)</u>	<u>-</u>	<u>(624,673)</u>
-	96,070	96,070
-	(20,397)	(20,397)
-	<u>75,673</u>	<u>75,673</u>
<u>(624,673)</u>	<u>75,673</u>	<u>(549,000)</u>
421,443	-	421,443
255,908	-	255,908
70,864	-	70,864
939	-	939
128	262	390
29,168	33,885	63,053
(97,820)	97,820	-
<u>680,630</u>	<u>131,967</u>	<u>812,597</u>
55,957	207,640	263,597
<u>1,682,589</u>	<u>2,259,415</u>	<u>3,942,004</u>
<u>\$ 1,738,546</u>	<u>\$ 2,467,055</u>	<u>\$ 4,205,601</u>

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

CITY OF ALVORD, TEXAS

Balance Sheet

Governmental Funds

September 30, 2022

	General Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash & Cash Equivalents	\$ 777,445	\$ 33,760	\$ 164,972	\$ 976,177
Investments	11,017	-	-	11,017
Receivables (Net Allowance for Uncollectibles)	25,483	7,204	4,469	37,156
Due from Other Funds	40,440	-	1,476	41,916
Total Assets	<u>\$ 854,385</u>	<u>\$ 40,964</u>	<u>\$ 170,917</u>	<u>\$ 1,066,266</u>
LIABILITIES:				
Accounts Payable	\$ 21,259	\$ -	\$ 54,392	\$ 75,651
Accrued Expense	12,086	-	-	12,086
Due to Other Funds	1,476	-	-	1,476
Total Liabilities	<u>34,821</u>	<u>-</u>	<u>54,392</u>	<u>89,213</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue - Property Taxes	2,986	1,340	-	4,326
Total Deferred Inflows of Resources	<u>2,986</u>	<u>1,340</u>	<u>-</u>	<u>4,326</u>
FUND BALANCES:				
Restricted:				
Debt Service	-	39,624	-	39,624
Assigned:				
Library	193,241	-	-	193,241
Tourism	19,183	-	-	19,183
Fire Department	150,032	-	-	150,032
Unassigned	454,122	-	116,525	570,647
Total Fund Balances	<u>816,578</u>	<u>39,624</u>	<u>116,525</u>	<u>972,727</u>
Total Liabilities, Deferred Inflows, & Fund Balances	<u>\$ 854,385</u>	<u>\$ 40,964</u>	<u>\$ 170,917</u>	<u>\$ 1,066,266</u>

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

CITY OF ALVORD, TEXAS
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 September 30, 2022

Total Fund Balances - Governmental Funds	\$ 972,727
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$1,684,569 and the accumulated depreciation was \$(1,015,510). The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net assets. In addition, long-term liabilities, including notes payable of \$(43,344), are not due and payable in the current period. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities in to increase net poition.	625,715
Current year capital outlays of \$167,453 and long-term debt principal payments of \$25,640 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements.	193,093
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(53,956)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue from property taxes as revenue, eliminating interfund transactions, reclassifying proceeds from issuance of debt as an increase in long-term debt, and recognizing the gain/(loss) on disposal of capital assets. The net effect of this reclassifications is to decrease net position.	4,326
Included in the noncurrent liabilities is the recognition of the City's net pension asset required by GASB 68 in the amount of \$13,698, a deferred resource inflow in the amount of \$(14,824), and a deferred resource outflow in the amount of \$5,241. The net effect of this adjustment is a decrease in net position.	4,115
Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of \$(7,013) and a deferred resource inflow in the amount of \$(1,982), and a deferred resource outflow in the amount of \$1,521. The net effect of this adjustment is a decrease in net position.	(7,474)
Net Position of Governmental Activities	<u>\$ 1,738,546</u>

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

CITY OF ALVORD, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2022

	General Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 339,052	\$ 82,391	\$ -	\$ 421,443
Sales	170,605	-	85,303	255,908
Franchise	70,864	-	-	70,864
Hotel	939	-	-	939
License and Permits	38,940	-	-	38,940
Intergovernmental	117,986	-	-	117,986
Investment Income	107	-	21	128
Donations/Fund Raisers	31,775	-	-	31,775
Miscellaneous	17,468	-	-	17,468
Total Revenues	<u>787,736</u>	<u>82,391</u>	<u>85,324</u>	<u>955,451</u>
EXPENDITURES				
Current:				
General Government	355,972	-	-	355,972
Police Department	47,662	-	-	47,662
Fire Department	66,219	-	-	66,219
Parks and Recreation	-	-	78,044	78,044
Public Works/Streets	171,364	-	-	171,364
Library	40,714	-	-	40,714
Capital Outlay	-	-	167,453	167,453
Debt Service:				
Principal	25,640	-	-	25,640
Interest and Fiscal Charges	1,711	3,000	-	4,711
Total Expenditures	<u>709,282</u>	<u>3,000</u>	<u>245,497</u>	<u>957,779</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>78,454</u>	<u>79,391</u>	<u>(160,173)</u>	<u>(2,328)</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	-	-
Transfer Out	(9,565)	(88,255)	-	(97,820)
Total Other Financing Sources/(Uses)	<u>2,135</u>	<u>(88,255)</u>	<u>-</u>	<u>(86,120)</u>
Net Change in Fund Balances	80,589	(8,864)	(160,173)	(88,448)
Fund Balances - Beginning	<u>735,989</u>	<u>48,488</u>	<u>276,698</u>	<u>1,061,175</u>
Fund Balances - Ending	<u>\$ 816,578</u>	<u>\$ 39,624</u>	<u>\$ 116,525</u>	<u>\$ 972,727</u>

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

CITY OF ALVORD, TEXAS
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended September 30, 2022

Total Net Change in Fund Balances - Governmental Funds	\$ (88,448)
Current year capital outlays of \$167,453 and long-term debt principal payments of \$25,640 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements.	193,093
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation is to decrease net position.	(53,956)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/21 caused the change in the ending net position to increase in the amount of \$5,241. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net net position totaling \$(4,790). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased the change in net position by \$4,245. The net effect of these changes is to increase net position.	6,132
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/21 caused the change in the ending net position to increase in the amount of \$1,521. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as current year expense. This caused a decrease in the change in net position totaling \$(249). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased the change in net position by \$(741). The net effect of these changes is to decrease net position.	(864)
Change in Net Position of Governmental Activities	<u>\$ 55,957</u>

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

CITY OF ALVORD, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
For the Year Ended September 30, 2022

	Original & Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 291,526	\$ 339,052	\$ 47,526
Sales	130,000	170,605	40,605
Franchise	68,000	70,864	2,864
Hotel	1,300	939	(361)
License and Permits	15,000	38,940	23,940
Intergovernmental	-	117,986	117,986
Investment Income	25	107	82
Donations/Fund Raisers	-	31,775	31,775
Miscellaneous	100	17,468	17,368
Total Revenues	<u>505,951</u>	<u>787,736</u>	<u>281,785</u>
EXPENDITURES			
Current:			
General Government	341,774	355,972	(14,198)
Police Department	57,449	47,662	9,787
Fire Department	19,383	66,219	(46,836)
Public Works/Streets	158,448	171,364	(12,916)
Library	30,552	40,714	(10,162)
Debt Service	-	27,351	(27,351)
Total Expenditures	<u>607,606</u>	<u>709,282</u>	<u>(101,676)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(101,655)</u>	<u>78,454</u>	<u>180,109</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	111,398	-	(111,398)
Transfer Out	(9,743)	(9,565)	178
Proceeds from Sale of Capital Assets	-	11,700	11,700
Total Other Financing Sources/(Uses)	<u>101,655</u>	<u>2,135</u>	<u>(99,520)</u>
Net Change in Fund Balances	-	80,589	80,589
Fund Balances, Beginning	<u>735,989</u>	<u>735,989</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 735,989</u>	<u>\$ 816,578</u>	<u>\$ 80,589</u>

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

CITY OF ALVORD, TEXAS
Statement of Net Position
Proprietary Fund
September 30, 2022
(With Comparative Amounts as of September 30, 2021)

ASSETS	2022	2021
Current Assets:		
Cash & Cash Equivalents	\$ 306,490	\$ 149,309
Investments	28,841	673,015
Receivables (Net of Allowance of Uncollectibles)	62,115	58,648
Total Current Assets	397,446	880,972
Noncurrent Assets:		
Capital Assets:		
Land	207,812	207,812
Construction in Progress	1,861,549	755,482
Buildings & Plant	3,589,655	3,589,655
Equipment	412,110	382,456
Less: Accumulated Depreciation	(1,944,015)	(1,836,679)
Total Capital Assets (Net of Accumulated Depreciation)	4,127,111	3,098,726
Net Pension Asset	26,589	4,618
Total Noncurrent Assets	4,153,700	3,103,344
Total Assets	4,551,146	3,984,316
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to TMRS Pension	10,174	17,359
Deferred Outflow Related to TMRS OPEB	2,953	4,210
Total Deferred Outflows of Resources	13,127	21,569
LIABILITIES		
Current Liabilities:		
Accounts Payable	318,558	58,548
Unearned revenues	199,495	-
Accrued Expense	13,917	10,612
Accrued Interest Payable	4,125	4,125
Customer Deposits	18,447	60,643
Due to Other Funds	40,440	8,130
Current Portion of Long-Term Debt	225,000	90,000
Total Current Liabilities	819,982	232,058
Noncurrent Liabilities:		
Long-Term Debt	1,231,000	1,480,000
Net OPEB Liability	13,614	12,878
Total Noncurrent Liabilities	1,244,614	1,492,878
Total Liabilities	2,064,596	1,724,936
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to TMRS Pension	28,775	17,155
Deferred Inflow Related to TMRS OPEB	3,847	4,379
Total Deferred Inflows of Resources	32,622	21,534
NET POSITION		
Net Invested in Capital Assets	2,671,111	1,528,726
Restricted	-	-
Unrestricted	(204,056)	730,689
Total Net Position	\$ 2,467,055	\$ 2,259,415

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

CITY OF ALVORD, TEXAS
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2022
(With Comparative Amounts as of September 30, 2021)

	2022	2021
OPERATING REVENUES		
Water & Sewer Revenue	\$ 519,706	\$ 495,728
Garbage Collection	94,497	87,914
Grant Revenue	232,225	212,384
Miscellaneous	33,885	85,271
Total Operating Revenues	880,313	881,297
 OPERATING EXPENSES		
Personnel Services	187,882	158,495
Contract Services	194,518	148,695
Supplies & Materials	39,124	12,040
Repair & Maintenance	112,800	115,766
Utilities	44,362	36,948
Miscellaneous	39,934	54,674
Depreciation	107,336	107,182
Total Operating Expenses	725,956	633,800
Operating Income/(Loss)	154,357	247,497
 NONOPERATING REVENUES/(EXPENSES)		
Transfers In	97,820	43,668
Interest Income	262	483
Interest Expense	(44,799)	(49,183)
Total Nonoperating Revenues/(Expenses)	53,283	(5,032)
Change in Net Position	207,640	242,465
Net Position, Beginning	2,259,415	2,016,950
Net Position, Ending	\$ 2,467,055	\$ 2,259,415

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

CITY OF ALVORD, TEXAS
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2022
(With Comparative Amounts for the Year Ended September 30, 2021)

	2022	2021
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 1,034,145	\$ 868,083
Cash Paid to Employees	(184,577)	(158,495)
Cash Paid to Suppliers	(172,433)	(380,848)
Net Cash Provided/(Used) by Operating Activities	677,135	328,740
Cash Flows from Noncapital Financing Activities:		
Advances from Other Funds	130,130	43,668
Net Cash Provided/(Used) by Noncapital Financing Activities	130,130	43,668
Cash Flows from Capital and Related Financing Activities:		
Principal Payments on Capital Debt	(114,000)	(108,000)
Interest Paid on Capital Debt	(44,799)	(49,183)
Purchase of Capital assets	(1,135,721)	(809,307)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(1,294,520)	(966,490)
Cash Flows from Investing Activities:		
Interest Received	262	483
(Sale)/Purchase of Investments	644,174	(627,526)
Net Cash Provided/(Used) in Cash & Cash Equivalents	644,436	(627,043)
Net Increase/(Decrease) in Cash & Cash Equivalents	157,181	(1,221,125)
Cash & Cash Equivalents - Beginning	149,309	1,370,434
Cash & Cash Equivalents - Ending	\$ 306,490	\$ 149,309
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities		
	2022	2021
Operating Income (Loss)	\$ 154,357	\$ 247,497
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation/Amortization Expense	107,336	107,182
(Increase)/Decrease in Accounts Receivable	(3,467)	(10,121)
(Increase)/Decrease in Net Pension Asset	(21,971)	(3,007)
(Increase)/Decrease in Deferred Outflows of Resources	8,442	(9,004)
Increase/(Decrease) in Accounts Payable	260,010	4,920
Increase/(Decrease) in Unearned Revenues	199,495	-
Increase/(Decrease) in Accrued Expense	3,305	-
Increase/(Decrease) in Customer Deposits	(42,196)	(3,093)
Increase/(Decrease) in Deferred Inflows of Resources	11,088	(4,834)
Increase/(Decrease) in Net OPEB Liability	736	(800)
Total Adjustments	522,778	81,243
Net Cash Provided/(Used) by Operating Activities	\$ 677,135	\$ 328,740

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

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CITY OF ALVORD, TEXAS
Notes to the Financial Statements
September 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Alvord, Texas, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The government is a municipal corporation governed by an elected council. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Blended Component Unit. The Alvord Economic Development Corporation (EDC) serves all citizens of the government and is governed by a board appointed by the government's elected council. The government can impose its will on the EDC and affect the day-to-day operations of the EDC by removing appointed board members at will. The scope of public service of the EDC benefits the government and its citizens and is operated primarily within the geographic boundaries of the government. The EDC is presented as a governmental fund type. Separate financial statements are not issued for the EDC.

Government – Wide & Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting & Financial Statement Presentation

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

CITY OF ALVORD, TEXAS
Notes to the Financial Statements
September 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Focus, Basis of Accounting & Financial Statement Presentation *(continued)*

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Only the portion of special assessments receivable due within the current fiscal year is considered to be susceptible to accrual as revenue of the current year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The government reports the following proprietary funds:

The *enterprise fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The government's enterprise fund is for water and sewer operations.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund, and of the government's internal service fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF ALVORD, TEXAS
Notes to the Financial Statements
September 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deposits & Investments

Cash and cash equivalents include cash on hand and demand deposits. Investments include all certificates of deposits.

Short-Term Inter-Fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

<u>Asset</u>	<u>Years</u>
Buildings	40
Building Improvements	5-40
System Infrastructure	20-40
Equipment	5-10
Vehicles	10

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

CITY OF ALVORD, TEXAS
Notes to the Financial Statements
September 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Long-Term Obligations *(continued)*

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2022.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to which the City Council delegates this authority.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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

As of September 30, 2022, fund balances are composed of the following:

	General Fund	Debt Service	Other Governmental	Total
Restricted:				
Debt service	\$ -	\$ 39,624	\$ -	\$ 39,624
Assigned:				
Library	193,241	-	-	193,241
Tourism	19,183	-	-	19,183
Fire department	150,032	-	-	150,032
Unassigned	454,122	-	116,525	570,647
Total Fund Balance	<u>\$ 816,578</u>	<u>\$ 39,624</u>	<u>\$ 116,525</u>	<u>\$ 972,727</u>

CITY OF ALVORD, TEXAS
Notes to the Financial Statements
September 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS.

For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund and water and sewer fund. All annual appropriations lapse at fiscal year end.

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

1. Prior to September 1, the City Staff meet with the City Council in a series of workshops to work on the budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On the first Tuesday in September, the City Staff officially presents the budget to the City Council for consideration. A second Council meeting and second reading of the budget ordinance is scheduled before October 1 to finalize the adoption of the new budget.
4. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbered amounts lapse at year end. At year end, encumbrances are canceled or re-appropriated as part of the following year budget.

DEPOSITS & INVESTMENTS

The City may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2022, the government's carrying amount of deposits was \$1,282,667 and the bank balance of the government's deposits was \$1,301,653. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining amount was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

CITY OF ALVORD, TEXAS
Notes to the Financial Statements
September 30, 2022

DEPOSITS & INVESTMENTS *(continued)*

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

Credit Risk is the risk that a security issuer may default on an interest or principal payment. It is the government's policy to limit its investments to those investments rated at least AAAM. The credit quality rating for TexPool at year end was AAAM by Standard & Poor's.

Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the government's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The government's funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC insurance coverage protected by approved pledged securities held on behalf of the government. Public funds investment pools created to function as money market mutual funds must mark their portfolios to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. The government's policy manages custodial credit risk by requiring securities purchased by a brokerdealer for the government to be held in a Safekeeping account in the government's name. The policy also requires that security transactions be conducted on a delivery-versus-payment basis. The government is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. It is the government's policy to not allow for a concentration of credit risk. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The government is not exposed to concentration of credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the government's investment in external investment pools is less than 60 days.

Foreign Currency Risk is the potential for loss due to fluctuations in exchange rates. The government's policy does not allow for any direct foreign investments, and therefore the government is not exposed to foreign currency risk.

At September 30, 2022, the government's investment balances were as follows:

	Fair Value
Certificates of Deposits	\$ 39,858
Total Investments	\$ 39,858

CITY OF ALVORD, TEXAS
Notes to the Financial Statements
September 30, 2022

RECEIVABLES

Receivables at September 30, 2022 consist of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:					
Utility Bills	\$ -	\$ -	\$ -	\$ 67,827	\$ 67,827
Delinquent Taxes	16,613	7,204	-	-	23,817
Sales Taxes	8,870	-	4,469	-	13,339
Gross Receivables	<u>25,483</u>	<u>7,204</u>	<u>4,469</u>	<u>67,827</u>	<u>104,983</u>
Less: Allowance for Uncollectables	-	-	-	(5,712)	(5,712)
Net Total Receivables	<u>\$ 25,483</u>	<u>\$ 7,204</u>	<u>\$ 4,469</u>	<u>\$ 62,115</u>	<u>\$ 99,271</u>

Taxes are levied on October 1 and are payable until February 1 without penalty. Property taxes attach as an enforceable lien on property as of February 1. No discounts are allowed for early payment. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 up to the date collected by the government at the rate of 1% per month. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes applicable to personal property may be deemed uncollectible by the government.

INTER-FUND RECEIVABLES, PAYABLES & TRANSFERS

The composition of inter-fund balances as of September 30, 2022, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water & Sewer	\$ 40,441
Special Revenue	General	1,476
		<u>\$ 41,917</u>

Interfund Transfers:

<u>Transfers Out:</u>	<u>Transfers In:</u>	
General	Water & Sewer	\$ 9,565
Debt Service	Water & Sewer	88,255
Total		<u>\$ 97,820</u>

CITY OF ALVORD, TEXAS
Notes to the Financial Statements
September 30, 2022

CAPITAL ASSETS

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

	Primary Government			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 153,866	\$ -	\$ -	\$ 153,866
Total Capital Assets Not Being Depreciated	<u>153,866</u>	<u>-</u>	<u>-</u>	<u>153,866</u>
Capital Assets Being Depreciated:				
Buildings & Improvements	565,356	167,453	-	732,809
Furniture & Equipment	965,347	-	(32,488)	932,859
Total Capital Assets Being Depreciated	<u>1,530,703</u>	<u>167,453</u>	<u>(32,488)</u>	<u>1,665,668</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(360,865)	(16,688)	-	(377,553)
Furniture & Equipment	(654,645)	(37,268)	32,488	(659,425)
Total Accumulated Depreciation	<u>(1,015,510)</u>	<u>(53,956)</u>	<u>32,488</u>	<u>(1,036,978)</u>
Total Capital Assets Being Depreciated, Net	<u>515,193</u>	<u>113,497</u>	<u>-</u>	<u>628,690</u>
Governmental Activities Capital Assets, Net	<u>\$ 669,059</u>	<u>\$ 113,497</u>	<u>\$ -</u>	<u>\$ 782,556</u>

	Primary Government			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 207,812	\$ -	\$ -	\$ 207,812
Construction in Progress	755,482	1,106,067	-	1,861,549
Total Capital Assets Not Being Depreciated	<u>963,294</u>	<u>1,106,067</u>	<u>-</u>	<u>2,069,361</u>
Capital Assets Being Depreciated:				
Buildings & Plant	3,589,655	-	-	3,589,655
Equipment	382,456	29,654	-	412,110
Total Capital Assets Being Depreciated	<u>3,972,111</u>	<u>29,654</u>	<u>-</u>	<u>4,001,765</u>
Less Accumulated Depreciation for:				
Buildings & Plant	(1,542,787)	(87,990)	-	(1,630,777)
Equipment	(293,892)	(19,346)	-	(313,238)
Total Accumulated Depreciation	<u>(1,836,679)</u>	<u>(107,336)</u>	<u>-</u>	<u>(1,944,015)</u>
Total Capital Assets Being Depreciated, Net	<u>2,135,432</u>	<u>(77,682)</u>	<u>-</u>	<u>2,057,750</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,098,726</u>	<u>\$ 1,028,385</u>	<u>\$ -</u>	<u>\$ 4,127,111</u>

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

Governmental Activities:	
General Government	\$ 4,939
Fire	34,414
Parks	11,719
Public Works/Streets	2,884
Total Depreciation Expense - Governmental Activities	<u>\$ 53,956</u>
Business-Type Activities:	
Water & Sewer	\$ 107,336
Total Depreciation Expense - Business-Type Activities	<u>\$ 107,336</u>

CITY OF ALVORD, TEXAS
Notes to the Financial Statements
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COMPENSATED ABSENCES

Compensated Absences activity for the year ended September 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Accrued</u>	<u>Used</u>	<u>Ending Balance</u>
General Fund	\$ 9,408	\$ 11,178	\$ (11,178)	\$ 9,408
Water and Sewer Fund	\$ 3,701	\$ 11,064	\$ (7,759)	\$ 7,006

Compensated Absences are included in accrued expenses on the financial statements.

LONG-TERM DEBT

In March 2020, the government borrowed \$60,000 from Legend Bank to purchase a fire truck. The note is being paid in 10 semi-annual installments of \$6,838, at a 5% interest rate. The first installment was made on June 30, 2020, with the final installment due December 31, 2024.

The government issues general obligation debt to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation debt has been issued for business-type activities. This debt is "Certificates of Obligation" that pledge the full faith and credit of the City; it matures over twenty years with varying amounts of principal due each year. General obligation debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Purpose</u>
Series 2004	0.5% - 3.4%	Water and Sewer Facilities
Series 2004A	0.1% - 3.5%	Water and Sewer Facilities
Series 2005	1.6% - 3.2%	Water and Sewer Facilities
Series 2020	2.55%	Water and Sewer Facilities

During the year ended September 30, 2022, the following changes occurred in Long-Term liabilities reported in the Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Note Payable	\$ 43,344	\$ -	\$ (25,640)	\$ 17,704	\$ 17,704
Total	<u>\$ 43,344</u>	<u>\$ -</u>	<u>\$ (25,640)</u>	<u>\$ 17,704</u>	<u>\$ 17,704</u>

CITY OF ALVORD, TEXAS
Notes to the Financial Statements
September 30, 2022

LONG-TERM DEBT *(continued)*

During the year ended September 30, 2022, the following changes occurred in Long-Term liabilities reported in the Water & Sewer Fund:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Notes Payable:					
U.S.D.A	\$ 143,000	\$ -	\$ (5,000)	\$ 138,000	\$ 115,000
Certificates of Obligation					
Series 2004	50,000	-	(25,000)	25,000	25,000
Series 2004A	50,000	-	(25,000)	25,000	25,000
Series 2005	90,000	-	(20,000)	70,000	20,000
Series 2020	1,237,000	-	(39,000)	1,198,000	40,000
Total	<u>\$1,570,000</u>	<u>\$ -</u>	<u>\$ (114,000)</u>	<u>\$1,456,000</u>	<u>\$ 225,000</u>

Debt service requirements, until maturities, are as follows:

Governmental Activities			
Fiscal Year End	Principal	Interest	Total
9/30/2023	17,704	1,428	19,132
	<u>\$ 17,704</u>	<u>\$ 1,428</u>	<u>\$ 19,132</u>

Water & Sewer Fund			
Fiscal Year End	Principal	Interest	Total
2023	\$ 115,000	\$ 41,256	\$ 156,256
2024	72,000	37,617	109,617
2025	121,000	35,484	156,484
2026	99,000	32,088	131,088
2027	114,000	29,417	143,417
2028-2032	613,000	99,351	712,351
2033-2037	299,000	21,713	320,713
2038-2042	23,000	1,175	24,175
	<u>\$ 1,456,000</u>	<u>\$ 298,101</u>	<u>\$ 1,754,101</u>

RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located with Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There was no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

CITY OF ALVORD, TEXAS
Notes to the Financial Statements
September 30, 2022

RETIREMENT SYSTEM – PENSION PLAN

Plan Description - The City of Alvord participates as one of 892 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.com.

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

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their 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.

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

	Plan Year	
	2021	2020
Employee deposit rate	7%	5%
Matching ratio (city to employee)	2 to 1	2 to 1
Year Required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms – At the December 31, 2021 and 2020 valuation and measurement date, the following employees were covered by the benefit terms:

	2021	2020
Inactive Employees or Beneficiaries Currently Receiving Benefits	2	3
Inactive Employees Entitled to but Not Yet Receiving Benefits	1	7
Active Employees	7	7
	10	17

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

CITY OF ALVORD, TEXAS
Notes to the Financial Statements
September 30, 2022

RETIREMENT SYSTEM – PENSION PLAN – Contributions *(continued)*

Employees for the City of Alvord were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.78% and 6.12% for the calendar year 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$38,382 and were equal to the required contributions.

Net Pension Liability - The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

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

- Inflation – 2.5% per year
- Overall payroll growth – 2.75% per year, adjusted down for population declines, if any
- Investment Rate of Return – 6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disable annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative), and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

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RETIREMENT SYSTEM – PENSION PLAN – Net Pension Liability *(continued)*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.00%	5.30%
Core Fixed Income	6.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Other Public and Private Markets	12.00%	3.85%
Real Estate	12.00%	4.00%
Hedge Fund	5.00%	3.48%
Private Equity	10.00%	7.75%
	<u>100.00%</u>	

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/20	\$ 549,684	\$ 556,642	\$ (6,958)
Changes for the year:			
Service cost	35,864	-	35,864
Interest	37,358	-	37,358
Change in benefit terms	-	-	-
Diff between expected/actual experience	3,447	-	3,447
Changes of assumptions	-	-	-
Contributions - employer	-	19,877	(19,877)
Contributions - employee	-	17,685	(17,685)
Net investment income	-	72,771	(72,771)
Benefit payments, including refunds of employee contributions	(28,334)	(28,334)	-
Administrative expenses	-	(336)	336
Other charges	-	1	(1)
Net changes	<u>48,335</u>	<u>81,664</u>	<u>(33,329)</u>
Balance at 12/31/21	<u>\$ 598,019</u>	<u>\$ 638,306</u>	<u>\$ (40,287)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City’s net pension liability would have been 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 (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
City’s net pension liability	<u>\$ 45,259</u>	<u>\$ (40,287)</u>	<u>\$ (110,012)</u>

CITY OF ALVORD, TEXAS
Notes to the Financial Statements
September 30, 2022

RETIREMENT SYSTEM – PENSION PLAN – Net Pension Liability *(continued)*

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

Pension Expense and Deferred Outflows and Inflows of Resources - For the year ended September 30, 2022, the City recognized pension expense in the amount of \$3,166. At September 30, 2022, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience (net of current year amortization)	\$ 1,173	\$ 20,464
Changes in actuarial assumptions	-	1,206
Differences between projected and actual investment earnings (net of current year amortization)	-	13,484
Contributions subsequent to the measurement date	29,825	-
Total	<u>\$ 30,998</u>	<u>\$ 35,154</u>

\$29,825 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2022	\$ (15,965)
2023	(6,638)
2024	(10,539)
2025	(839)
Total	<u>\$ (33,981)</u>

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS

Plan Description - The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). SDBF is an unfunded multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Texas Municipal Retirement System (TMRS).

OPEB Plan Fiduciary Net Position - Detailed information about the TMRS SDBF’s fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. This report may be obtained at www.tmr.com.

Benefits Provided – SDBF is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit and is a fixed amount of \$7,500.

CITY OF ALVORD, TEXAS
Notes to the Financial Statements
September 30, 2022

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS *(continued)*

Contributions – City contribution rates for the SDBF are established 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.

Employees for the City of Alvord were not required to contribute to the SDBF. The contribution rates for the City were 0.30% and 0.23% in calendar year 2022 and 2021, respectively. The City’s contributions to TMRS for the year ended September 30, 2022 were \$1,579 and were equal to required contributions.

Employees Covered by Benefit Terms – At the December 31, 2021 and 2020 valuation and measurement date, the following employees were covered by the benefit terms:

	2021	2020
Inactive Employees or Beneficiaries Currently Receiving Benefits	3	3
Inactive Employees Entitled to but Not Yet Receiving Benefits	7	1
Active Employees	7	7
	17	11

Actuarial Assumptions - The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	
Salary Increases	3.50% to 11.50% including inflation	
Discount Rate*	1.84%	
Retirees' share of benefit related costs	\$0	
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.	
Mortality Rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.	
Mortality Rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled, for males and females, respectively. The rate are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.	

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rates as of December 31, 2021.

Note: The actuarial assumption used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 - December 31, 2018.

CITY OF ALVORD, TEXAS
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September 30, 2022

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS *(continued)*

Total OPEB Liability - The City's Total OPEB Liability was determined by an actuarial valuation as of December 31, 2021.

	Increase/(Decrease) Total OPEB Liability
Balance at 12/31/20	\$ 19,403
Changes for the year:	
Service cost	2,653
Interest	402
Change in benefit terms	-
Diff between expected/actual experience	(1,256)
Changes of assumptions	734
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(1,309)
Administrative expenses	-
Other charges	-
Net changes	1,224
Balance at 12/31/21	\$ 20,627

Discount Rate Sensitivity Analysis - The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate.

	1% Decrease (0.84%)	Discount Rate (1.84%)	1% Increase (2.84%)
City's total OPEB liability	\$ 26,240	\$ 20,627	\$ 16,467

OPEB Expense and Deferred Outflows and Inflows of Resources - For the year ended September 30, 2022, the City recognized OPEB expense in the amount of \$2,596. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ -	\$ 5,829
Changes in actuarial assumptions	4,036	-
Differences between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	438	-
Total	\$ 4,474	\$ 5,829

CITY OF ALVORD, TEXAS
Notes to the Financial Statements
September 30, 2022

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS - OPEB Expense and Deferred Outflows and Inflows of Resources - (continued)

\$740 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended December 31,		
2022	\$	(324)
2023		(364)
2024		(475)
2025		(498)
2026		(78)
Thereafter		<u>(54)</u>
Total		<u>(1,793)</u>

TAX ABATEMENTS

In compliance with GASB Statement #77, the City did not have any outstanding tax abatements for the year ended September 30, 2022.

EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through May 6, 2023, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALVORD, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended September 30, 2022

	Plan Year Ended December 31,		
	2021	2020	2019
Total Pension Liability			
Service cost	\$ 35,864	\$ 33,522	\$ 29,142
Interest (on the total pension liability)	37,358	33,794	30,731
Changes of benefit terms	-	-	-
Difference between expected and actual experience	3,447	189	(11,174)
Change of assumptions	-	-	(2,092)
Benefit payments, including refunds of employee contributions	(28,334)	(3,419)	(3,419)
Net Change in Total Pension Liability	48,335	64,086	43,188
Total Pension Liability - Beginning	549,684	485,598	442,410
Total Pension Liability - Ending (a)	<u>\$ 598,019</u>	<u>\$ 549,684</u>	<u>\$ 485,598</u>
Plan Fiduciary Net Position			
Contributions - employer	19,877	18,848	\$ 15,885
Contributions - employee	17,685	16,304	14,600
Net investment income	72,771	37,133	61,886
Benefit payments, including refunds of employee contributions	(28,334)	(3,419)	(3,419)
Administrative expense	(336)	(240)	(349)
Other	1	(9)	(10)
Net Change in Plan Fiduciary Net Position	81,664	68,617	88,593
Plan Fiduciary Net Position - Beginning	556,642	488,025	399,432
Plan Fiduciary Net Position - Ending (b)	<u>\$ 638,306</u>	<u>\$ 556,642</u>	<u>\$ 488,025</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ (40,287)</u>	<u>\$ (6,958)</u>	<u>\$ (2,427)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	106.74%	101.27%	100.50%
Covered Employee Payroll	\$ 353,692	\$ 326,088	\$ 292,006
Net Pension Liability as a Percentage of Covered Employee Payroll	-11.39%	-2.13%	-0.83%

CITY OF ALVORD, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended September 30, 2022

2018	2017	2016	2015
\$ 24,386	\$ 27,313	\$ 25,522	\$ 31,283
28,442	25,564	26,356	23,170
-	-	-	-
(11,157)	4,557	(45,327)	5,276
-	-	-	18,605
<u>(16,861)</u>	<u>(9,798)</u>	<u>(28,566)</u>	<u>(3,419)</u>
24,810	47,636	(22,015)	74,915
417,600	369,964	391,979	317,064
<u>\$ 442,410</u>	<u>\$ 417,600</u>	<u>\$ 369,964</u>	<u>\$ 391,979</u>
\$ 17,190	\$ 19,030	\$ 14,577	\$ 19,919
13,326	13,535	12,697	16,327
(11,942)	45,747	20,993	409
(16,861)	(9,798)	(28,566)	(3,419)
(230)	(237)	(237)	(249)
<u>(12)</u>	<u>(12)</u>	<u>(13)</u>	<u>(12)</u>
1,471	68,265	19,451	32,975
397,961	329,696	310,245	277,270
<u>\$ 399,432</u>	<u>\$ 397,961</u>	<u>\$ 329,696</u>	<u>\$ 310,245</u>
<u>\$ 42,978</u>	<u>\$ 19,639</u>	<u>\$ 40,268</u>	<u>\$ 81,734</u>
90.29%	95.30%	89.12%	79.15%
\$ 266,514	\$ 270,693	\$ 253,948	\$ 326,545
16.13%	7.26%	15.86%	25.03%

CITY OF ALVORD, TEXAS
Schedule of Contributions
For the Year Ended September 30, 2022

	Fiscal Year Ended September 30,		
	2022	2021	2020
Actuarially determined contribution	\$ 20,647	\$ 22,582	\$ 18,762
Contributions in relation to actuarially determined contribution	<u>(20,647)</u>	<u>(22,582)</u>	<u>(18,762)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 359,287	\$ 347,588	\$ 329,473
Contributions as a percentage of covered employee payroll	5.75%	6.50%	5.69%

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 16,839	\$ 17,864	\$ 18,357	\$ 16,215
<u>(16,839)</u>	<u>(17,864)</u>	<u>(18,357)</u>	<u>(16,215)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 283,501	\$ 269,976	\$ 268,845	\$ 268,665
5.94%	6.62%	6.83%	6.04%

CITY OF ALVORD, TEXAS
Schedule of Contributions
For the Year Ended September 30, 2022

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	N/A
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	N/A
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	N/A
Mortality	Service retirees: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Disabled retirees: 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information: There were no benefit changes during the year.

COMPLIANCE & INTERNAL CONTROLS SECTION

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

Honorable Mayor And Members of the City Council
City of Alvord
Alvord, Texas 76225

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Alvord (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise The City's basic financial statements and have issued our report thereon dated May 4, 2023.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Vail + Park, P.C." The signature is written in a cursive, slightly slanted style.

Richardson, Texas

May 4, 2023