

CITY OF JOHNSON CITY, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

CITY OF JOHNSON CITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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NEFFENDORF & BLOCKER, P.C.

INDEPENDENT AUDITOR'S REPORT

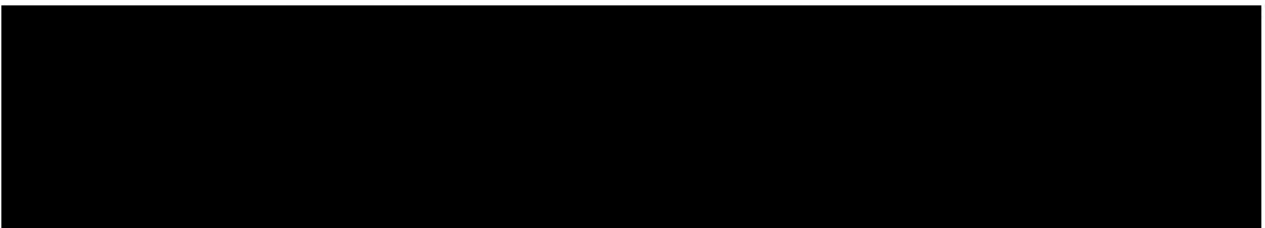
Honorable Mayor and Members of the City Council
City of Johnson City, Texas
Johnson City, TX 78636

Disclaimer of Opinion

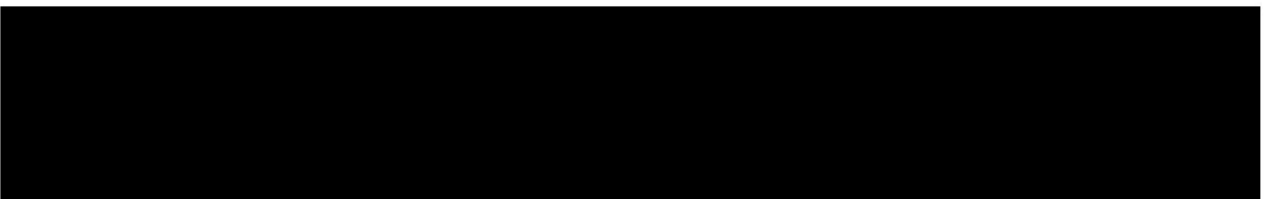
We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Johnson City, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

We do not express an opinion on the accompanying financial statements of City of Johnson City, Texas. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Basis for Disclaimer of Opinion



Emphasis of Matters



Management's Responsibility for the Financial Statements

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

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Auditor's Responsibility

Our responsibility is to conduct an audit of City of Johnson City, Texas' financial statements in accordance with auditing standards generally accepted in the United States of American and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evident to provide a basis for an audit opinion on these financial statements.

We are required to be independent of City of Johnson City, Texas and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Neffendorf & Blocker, P.C.

NEFFENDORF & BLOCKER, P.C.
Fredericksburg, Texas

May 3, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Johnson City, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended September 30, 2019. Please read it in conjunction with the independent auditors' report on page 1, and the City's Basic Financial Statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$4,797,056 (net position). Of this amount, the unrestricted net position was (\$1,321,183). The large negative balance in the unrestricted net position of the governmental activities is due to recording of the long-term debt as required by GASB #34. The assets are reflected in the business-type activities while the long-term debt is shown in the governmental activities (financed by property taxes).
- The City's net position decreased by \$71,599 as a result of this year's operations.
- At September 30, 2019, the City's governmental funds reported combined ending fund balances of \$288,700, a decrease of \$541,395 in comparison with the prior year.
- At September 30, 2019, the City's Water and Sewer Fund reported net position of \$3,402,355, an increase of \$381,663 in comparison with the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the City as a whole, and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (beginning on page 12) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 22) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (general fund) is presented as required supplementary information on page 43.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider other factors as well, such as changes in the City's customers or its property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activity:

- **Governmental activity** - Most of the City's basic services are reported here, including the public safety, public works, municipal court and administration. Property taxes, user charges, sales tax and franchise tax finance most of these activities.
- **Business-type activity** - The City's water and sewer system is reported as a business-type activity since the fees charged to customers cover the cost of services provided.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

The City has two kinds of funds:

- **Governmental funds** - All of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Note II to the financial statements.
- **Proprietary funds** - Services for which the City charges customers a fee are generally reported in proprietary funds. The City's enterprise fund (Water and Sewer) is a business-type activity and provides both long and short-term financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

Net position of the City's governmental activities decreased from \$1,847,963 to \$1,394,701. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$(533,727) at September 30, 2019. This decrease in governmental net position was the result of five factors. First, the City's expenditures exceeded the revenues by \$541,395. Second, the City paid principal on long-term debt in the amount of \$125,000 and acquired capital assets in the amount of \$136,191. Third, the City recorded depreciation in the amounts of \$161,647. Fourth, due to the implementation of GASB Statement No. 68 an increase in expenses was necessary in the amount of \$19,830. Fifth, due to the implementation of GASB Statements No. 75 an increase in expenses was necessary in the amount of \$2,877.

Net position of the City's business-type activities increased from \$3,020,692 to \$3,402,355. Unrestricted net position was \$(787,456) at September 30, 2019. This decrease in business-type net position was the result of net profit of \$381,663.

Table I
City of Johnson City

NET POSITION in thousands

	Governmental Activities		Business Type Activities		TOTALS Primary Government	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 669	\$ 1,126	\$ 107	\$ (101)	\$ 776	\$ 1,025
Capital Assets	3,173	3,198	4,190	3,408	7,363	6,606
Total Assets	\$ 3,842	\$ 4,324	\$ 4,297	\$ 3,307	\$ 8,139	\$ 7,631
Deferred Outflow of Resources	\$ 123	\$ 107	\$ 64	\$ 54	\$ 187	\$ 161
Long-Term Liabilities	\$ 2,199	\$ 2,247	\$ 186	\$ 138	\$ 2,385	\$ 2,385
Other Liabilities	350	274	760	165	1,110	439
Total Liabilities	\$ 2,549	\$ 2,521	\$ 946	\$ 303	\$ 3,495	\$ 2,824
Deferred Inflow of Resources	\$ 22	\$ 62	\$ 12	\$ 37	\$ 34	\$ 99
Net Position:						
Invested in Capital Assets						
Net of Related Debt	\$ 1,330	\$ 1,894	\$ 4,190	\$ 3,525	\$ 5,520	\$ 5,419
Restricted	598	502	-	-	598	502
Unrestricted	(534)	(548)	(787)	(504)	(1,321)	(1,052)
Total Net Position	\$ 1,394	\$ 1,848	\$ 3,403	\$ 3,021	\$ 4,797	\$ 4,869

Table II
City of Johnson City

CHANGES IN NET POSITION
in thousands

	Governmental Activities		Business Type Activities		TOTALS Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues:						
Charges for Services	\$ 349	\$ 349	\$ 815	\$ 799	\$ 1,164	\$ 1,148
Municipal Court Fines	114	117	-	-	114	117
Property Taxes	748	676	-	-	748	676
Sales Tax	435	386	-	-	435	386
Franchise Tax	170	161	-	-	170	161
Other Taxes	6	6	-	-	6	6
Operating and Capital Grants	-	-	25	49	25	49
Investment Earnings	6	9	1	2	7	11
Miscellaneous	69	94	14	10	83	104
Total Revenue	\$ 1,897	\$ 1,798	\$ 855	\$ 860	\$ 2,752	\$ 2,658
Expenses:						
Financial Administration	\$ 307	\$ 611	\$ -	\$ -	\$ 307	\$ 611
Police	390	436	-	-	390	436
Highways and Streets	21	43	-	-	21	43
Sanitation	402	373	-	-	402	373
Parks	108	47	-	-	108	47
Municipal Court	176	168	-	-	176	168
Hotel Motel	66	56	-	-	66	56
Community Service	27	22	-	-	27	22
Water and Sewer	-	-	1,135	1,066	1,135	1,066
Debt Service	43	43	-	-	43	43
Capital Outlay	790	49	-	-	790	49
Total Expenses	\$ 2,479	\$ 1,938	\$ 1,135	\$ 1,066	\$ 3,614	\$ 3,004
Increase in Net Position Before						
Capital Contributions & Transfers	\$ (582)	\$ (140)	\$ (280)	\$ (206)	\$ (862)	\$ (346)
Capital Contributions	-	-	790	-	790	-
Special Item	-	-	-	-	-	-
Transfers	128	89	(128)	(89)	-	-
Net Position - Beginning	1,848	1,915	3,021	3,326	4,869	5,241
Prior Period Adjustment	-	(16)	-	(10)	-	(26)
Net Position - Ending	\$ 1,394	\$ 1,848	\$ 3,403	\$ 3,021	\$ 4,797	\$ 4,869

The cost of all governmental activities this year was \$2,478,228. However, as shown in the Statement of Activities on page 10, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$748,059 because the other costs were paid by sales tax (\$434,731), franchise tax (\$170,484), user charges (\$463,058), investment interest (\$5,929) and other miscellaneous (\$74,581).

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$288,700, which is less than last year's total of \$830,095. Included in this year's total change in fund balance is an increase of \$30,776 in the City's General Fund.

The City adopted the General Fund Budget. However, actual expenditures were less than the budgeted amounts and actual revenues were less than the budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2019, the City had the following amounts invested in capital assets:

CAPITAL ASSETS in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 485	\$ 485	\$ 41	\$ 41	\$ 526	\$ 526
Construction in Progress	-	-	1,213	291	1,213	291
Distribution & Collection Systems	-	-	2,866	2,988	2,866	2,988
Buildings & Improvements	2,567	2,634	11	14	2,578	2,648
Equipment	122	79	58	73	180	152
Total Capital Assets	<u>\$ 3,174</u>	<u>\$ 3,198</u>	<u>\$ 4,189</u>	<u>\$ 3,407</u>	<u>\$ 7,363</u>	<u>\$ 6,605</u>

More detailed information about the City's capital assets is presented in Note D and E to the financial statements.

DEBT

At September 30, 2019, the City had the following outstanding debt:

OUTSTANDING DEBT in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2019	2018	2019	2018	2019	2018
Certificates of Obligation	\$ 835	\$ 880	\$ -	\$ -	\$ 835	880
Refunding Bonds	1,005	1,133	-	-	1,005	1,133
Total Outstanding Debt	<u>\$ 1,840</u>	<u>\$ 2,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,840</u>	<u>\$ 2,013</u>

For governmental activities, the City paid \$80,000 in principal on the outstanding refunding bonds and \$45,000 on the outstanding certificates of obligation.

More detailed information about the City's long-term liabilities is presented in Notes F, G, H and I to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2020 budget and tax rates. The major factors are the assessed property valuation, economy and population growth. These indicators were taken into account when adopting the General Fund budget for 2020. Amounts available for appropriation in the General Fund budget are \$1,706,091 and expenditures are estimated to be \$1,706,091.

If these estimates are realized, the City's budgetary General fund balance is expected to be about the same by the close of 2020.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 39,613	\$ 25,086	\$ 64,699
Investments - Current	76	1,578	1,654
Accounts Receivable Net	126,746	80,569	207,315
Due from Other Funds	453,814	(453,814)	-
Temporarily Restricted Asset- TWDB Escrow	48,545	-	48,545
Capital Assets:			
Land	484,501	41,402	525,903
Buildings, Net	356,001	11,093	367,094
Improvements other than Buildings, Net	2,210,528	2,866,434	5,076,962
Furniture and Equipment, Net	121,813	57,680	179,493
Construction in Progress	-	1,213,202	1,213,202
Other Assets	-	200	200
Total Assets	3,841,637	3,843,430	7,685,067
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	14,378	-	14,378
Deferred Outflow Related to Pension Plan	107,280	63,269	170,549
Deferred Outflow Related to OPEB Plan	1,279	754	2,033
Total Deferred Outflows of Resources	122,937	64,023	186,960
LIABILITIES			
Accounts Payable	120,992	143,949	264,941
Wages and Salaries Payable	213,595	42,327	255,922
Intergovernmental Payable	8,077	-	8,077
Accrued Interest Payable	6,891	-	6,891
Meter Deposits	-	120,292	120,292
Noncurrent Liabilities:			
Debt Due Within One Year	125,000	-	125,000
Bonds Payable - Noncurrent	1,758,686	-	1,758,686
Net Pension Liability	294,085	173,438	467,523
Net OPEB Liability	20,760	12,243	33,003
Total Liabilities	2,548,086	492,249	3,040,335
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	20,179	11,901	32,080
Deferred Inflow Related to OPEB Plan	1,608	948	2,556
Total Deferred Inflows of Resources	21,787	12,849	34,636
NET POSITION			
Net Investment in Capital Assets	1,330,372	4,189,811	5,520,183
Restricted for:			
Restricted for Special Revenue	283,268	-	283,268
Restricted for Debt Service	314,788	-	314,788
Unrestricted	(533,727)	(787,456)	(1,321,183)
Total Net Position	\$ 1,394,701	\$ 3,402,355	\$ 4,797,056

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

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

			Program Revenues	
			Charges for Services	Operating Grants and Contributions
	Expenses			Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Financial Administration	\$ 306,521	\$ 28,195	\$ -	\$ -
Police	389,775	-	-	-
Highways and Streets	21,341	-	-	-
Community Services	27,175	-	-	-
Hotel Motel	66,026	-	-	-
Municipal Court	176,238	113,777	-	-
Sanitation	401,769	321,086	-	-
Parks	108,083	-	-	-
Interest on Debt	40,785	-	-	-
Fiscal Agent's Fees	1,140	-	-	-
Capital Outlay	790,131	-	-	-
Total Governmental Activities	2,478,228	463,058	-	-
BUSINESS-TYPE ACTIVITIES:				
Water & Sewer Fund	1,135,739	815,430	25,000	790,131
Total Business-Type Activities	1,135,739	815,430	25,000	790,131
TOTAL PRIMARY GOVERNMENT	\$ 3,613,967	\$ 1,278,488	\$ 25,000	\$ 790,131
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				
Property Taxes, Levied for Debt Service				
General Sales and Use Taxes				
Gross Receipts Business Tax				
Other Taxes				
Penalty and Interest on Taxes				
Grants and Contributions				
Miscellaneous Revenue				
Investment Earnings				
Transfers In (Out)				
Total General Revenues and 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 Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (278,326)	\$ -	\$ (278,326)
(389,775)	-	(389,775)
(21,341)	-	(21,341)
(27,175)	-	(27,175)
(66,026)	-	(66,026)
(62,461)	-	(62,461)
(80,683)	-	(80,683)
(108,083)	-	(108,083)
(40,785)	-	(40,785)
(1,140)	-	(1,140)
(790,131)	-	(790,131)
(2,015,170)	-	(2,015,170)
-	494,822	494,822
-	494,822	494,822
(2,015,170)	494,822	(1,520,348)
478,758	-	478,758
269,301	-	269,301
434,731	-	434,731
170,484	-	170,484
200	-	200
5,542	-	5,542
1,800	-	1,800
67,039	14,485	81,524
5,929	480	6,409
128,124	(128,124)	-
1,561,908	(113,159)	1,448,749
(453,262)	381,663	(71,599)
1,847,963	3,020,692	4,868,655
\$ 1,394,701	\$ 3,402,355	\$ 4,797,056

CITY OF JOHNSON CITY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Capital Projects
ASSETS			
Cash and Cash Equivalents	\$ 39,613	\$ -	\$ -
Investments - Current	76	-	-
Taxes Receivable	17,688	9,704	-
Allowance for Uncollectible Taxes (credit)	(884)	(485)	-
Accounts Receivable Net	67,009	-	-
Due from Other Funds	453,814	314,788	-
Temporarily Restricted Asset- TWDB Escrow	-	-	48,545
Total Assets	<u>\$ 577,316</u>	<u>\$ 324,007</u>	<u>\$ 48,545</u>
LIABILITIES			
Accounts Payable	\$ 95,992	\$ -	\$ -
Wages and Salaries Payable	213,595	-	-
Intergovernmental Payable	8,077	-	-
Due to Other Funds	600,750	-	-
Total Liabilities	<u>918,414</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	16,803	9,219	-
Total Deferred Inflows of Resources	<u>16,803</u>	<u>9,219</u>	<u>-</u>
FUND BALANCES			
Restricted for Special Revenue	-	-	-
Capital Acquisition and Contractual Obligation	-	-	48,545
Retirement of Long-Term Debt	-	314,788	-
Unassigned Fund Balance	(357,901)	-	-
Total Fund Balances	<u>(357,901)</u>	<u>314,788</u>	<u>48,545</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 577,316</u>	<u>\$ 324,007</u>	<u>\$ 48,545</u>

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

Hotel/ Motel Fund	Total Governmental Funds
\$ -	\$ 39,613
-	76
-	27,392
-	(1,369)
22,306	89,315
285,962	1,054,564
-	48,545
<u>\$ 308,268</u>	<u>\$ 1,258,136</u>
\$ 25,000	\$ 120,992
-	213,595
-	8,077
-	600,750
<u>25,000</u>	<u>943,414</u>
-	26,022
-	26,022
283,268	283,268
-	48,545
-	314,788
-	(357,901)
<u>283,268</u>	<u>288,700</u>
<u>\$ 308,268</u>	<u>\$ 1,258,136</u>

CITY OF JOHNSON CITY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds	\$ 288,700
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	1,193,907
Current year capital outlays and long-term debt principal payments 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. The net effect of including the 2019 capital outlays and debt principal payments is to increase net position.	261,191
The items reported as a result of the GASB 68 implementation included a net pension liability of \$294,085, a Deferred Resource Inflow of \$20,179 and a Deferred Resource Outflow of \$107,280. The net effect of these was to decrease the ending net position by \$1,085,097.	(206,984)
The items reported as a result of the GASB 75 implementation included an OPEB liability of \$20,760, a Deferred Resource Inflow of \$1,608 and a Deferred Resource Outflow of \$1,279. The net effect of these was to decrease the ending net position by \$21,089.	(21,089)
The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(161,647)
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 as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	40,623
Net Position of Governmental Activities	<u>\$ 1,394,701</u>

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

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Capital Projects
REVENUES:			
Taxes:			
Property Taxes	\$ 507,126	\$ 232,830	\$ -
General Sales and Use Taxes	434,731	-	-
Gross Receipts Business Tax	78,487	-	-
Other Taxes	200	-	-
Penalty and Interest on Taxes	5,542	-	-
Licenses and Permits	13,977	-	-
Intergovernmental Revenue and Grants	1,800	-	-
Charges for Services	335,304	-	-
Fines	113,777	-	-
Investment Earnings	2	-	5,927
Rents and Royalties	6,975	-	-
Other Revenue	60,064	-	-
Total Revenues	<u>1,557,985</u>	<u>232,830</u>	<u>5,927</u>
EXPENDITURES:			
Current:			
General Government:			
Financial Administration	270,062	-	-
Public Safety:			
Police	388,019	-	-
Public Works:			
Highways and Streets	46,053	-	-
Community Services	24,250	-	-
Hotel Motel	-	-	-
Municipal Court	157,903	-	-
Sanitation	357,276	-	-
Culture and Recreation:			
Parks	95,667	-	76
Debt Service:			
Debt Service	-	125,000	-
Interest on Debt	-	43,978	-
Fiscal Agent's Fees	-	1,140	-
Capital Outlay:			
Capital Outlay	-	-	840,590
Total Expenditures	<u>1,488,474</u>	<u>170,118</u>	<u>840,666</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>69,511</u>	<u>62,712</u>	<u>(834,739)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	166,859
Transfers Out (Use)	(38,735)	-	-
Total Other Financing Sources (Uses)	<u>(38,735)</u>	<u>-</u>	<u>166,859</u>
Net Change in Fund Balances	<u>30,776</u>	<u>62,712</u>	<u>(667,880)</u>
Fund Balance - October 1 (Beginning)	<u>(388,677)</u>	<u>252,076</u>	<u>716,425</u>
Fund Balance - September 30 (Ending)	<u>\$ (357,901)</u>	<u>\$ 314,788</u>	<u>\$ 48,545</u>

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

Hotel/ Motel Fund	Total Governmental Funds
\$ -	\$ 739,956
-	434,731
91,997	170,484
-	200
-	5,542
-	13,977
-	1,800
-	335,304
-	113,777
-	5,929
-	6,975
-	60,064
91,997	1,888,739
-	270,062
-	388,019
-	46,053
-	24,250
59,000	59,000
-	157,903
-	357,276
-	95,743
-	125,000
-	43,978
-	1,140
-	840,590
59,000	2,558,258
32,997	(669,519)
-	166,859
-	(38,735)
-	128,124
32,997	(541,395)
250,271	830,095
\$ 283,268	\$ 288,700

CITY OF JOHNSON CITY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Total Net Change in Fund Balances - Governmental Funds	\$ (541,395)
Current year capital outlays and long-term debt principal payments 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. The net effect of removing the 2019 capital outlays and debt principal payments is to increase the change in net position.	261,191
The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$71,581 and total debits to expenses were \$91,411. The net effect on the change in net position on Exhibit B-1 is a decrease of \$19,830.	(19,830)
The entries required by GASB 75 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$371 and total debits to expense were \$3,248. The net effect on the change in net position on Exhibit B-1 is a decrease of \$2,877.	(2,877)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(161,647)
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 as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position.	11,296
Change in Net Position of Governmental Activities	<u><u>\$ (453,262)</u></u>

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

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

EXHIBIT D-1

	Business Type Activities
	Total Enterprise Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 25,086
Investments - Current	1,578
Accounts Receivable Net	80,569
Total Current Assets	107,233
Noncurrent Assets:	
Capital Assets:	
Land	41,402
Buildings	100,163
Accumulated Depreciation - Buildings	(89,070)
Improvements other than Buildings	6,984,579
Accumulated Depreciation - Other Improvements	(4,118,145)
Furniture and Equipment	379,233
Accumulated Depreciation - Furniture & Equipment	(321,553)
Construction in Progress	1,213,202
Other Assets	200
Total Noncurrent Assets	4,190,011
Total Assets	4,297,244
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	63,269
Deferred Resource Outflow Related to OPEB	754
Total Deferred Outflows of Resources	64,023
LIABILITIES	
Current Liabilities:	
Accounts Payable	143,949
Wages and Salaries Payable	42,327
Due to Other Funds	453,814
Meter Deposits	120,292
Total Current Liabilities	760,382
Noncurrent Liabilities:	
Net Pension Liability	173,438
Net OPEB Liability	12,243
Total Noncurrent Liabilities	185,681
Total Liabilities	946,063
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	11,901
Deferred Inflow Related to OPEB Plan	948
Total Deferred Inflows of Resources	12,849
NET POSITION	
Net Investment in Capital Assets	4,189,811
Unrestricted	(787,456)
Total Net Position	\$ 3,402,355

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

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

EXHIBIT D-2

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Charges for Services	\$ 815,430
Other Revenue	14,485
Total Operating Revenues	<u>829,915</u>
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	227,283
Personnel Services - Employee Benefits	152,286
Purchased Professional & Technical Services	17,747
Purchased Property Services	179,892
Other Operating Costs	250,094
Supplies	59,778
Depreciation	248,659
Total Operating Expenses	<u>1,135,739</u>
Operating Income (Loss)	<u>(305,824)</u>
NONOPERATING REVENUES (EXPENSES):	
Grants (Not Capital Grants)	25,000
Investment Earnings	480
Total NonOperating Revenue (Expenses)	<u>25,480</u>
Income (Loss) Before Contributions & Transfers	<u>(280,344)</u>
Capital Contributions	790,131
Transfers Out (Use)	<u>(128,124)</u>
Change in Net Position	381,663
Total Net Position - October 1 (Beginning)	<u>3,020,692</u>
Total Net Position - September 30 (Ending)	<u><u>\$ 3,402,355</u></u>

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

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 797,694
Cash Received from Others	14,485
Cash Payments to Employees for Services	(376,645)
Cash Payments for Suppliers	(120,718)
Cash Payments for Other Operating Expenses	(35,338)
Net Cash Provided by Operating Activities	279,478
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	(128,124)
Non-Capital Grant	25,000
Net Cash Provided by (Used for) Non-Capital Financing Activities	(103,124)
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(1,030,310)
Capital Contributed by Other Funds	790,131
Net Cash Provided by (Used for) Capital and Related Financing Activities	(240,179)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	480
Net Increase in Cash and Cash Equivalents	(63,345)
Cash and Cash Equivalents at the Beginning of the Year	90,009
Cash and Cash Equivalents at the End of the Year	\$ 26,664

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

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities
	Total Enterprise Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By Operating Activities:</u>	
Operating Income (Loss)	\$ (305,824)
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities:	
Depreciation	248,659
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	(17,736)
Increase (Decrease) in Accounts Payable	136,699
Increase (Decrease) in Wages Payable	2,924
Increase (Decrease) in Net Pension Liability	13,176
Increase (Decrease) in OPEB Liability	216
Increase (Decrease) in Due From(To) Other Funds	199,774
Increase (Decrease) in Meter Deposits	1,590
Net Cash Provided by Operating Activities	<u>\$ 279,478</u>

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

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

In evaluating how to define the government, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Johnson City nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, sales tax, franchise tax, municipal court fines, charges for services and other miscellaneous revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating

items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

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

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes, sales tax, charges for services and fines. Property tax revenues and other revenues are recognized under the "susceptible to accrual" concept; that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

D. Fund Accounting

The City reports the following major governmental funds:

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

Additionally, the City reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures

for specified purposes.

2. **Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
3. **Capital Projects Fund** - The Capital Projects Fund is used to account for the financial resources used for acquisition of major capital improvements.

Proprietary Fund:

1. **Enterprise Fund** - The Water and Sewer Fund is operated as an Enterprise Fund.

E. Other Accounting Policies

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

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

2. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with 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 costs 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.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20-40
Buildings	30
Improvements	30
Equipment	7
Vehicles	5

Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, infrastructure assets acquired prior to October 1, 2001 have not yet been capitalized.

3. Cash and cash equivalents include cash deposits and local governmental

investment pools.

4. Accounts Receivable – Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, and past due after January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are shown net of an allowance for uncollectible accounts in the amount of zero.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues, at the time all eligibility requirements established by the provider have been met.

Revenues for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are billable services for certain contracts, and billable services for the City's water utilities, sewer services, and solid waste management. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts.

5. Short-term Interfund 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 fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."
6. Unearned Revenue – Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unearned revenue.
7. Pensions. For purposes of measuring the net pension liability/asset, 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.
8. The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
 - Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
 - Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
 - Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority

(i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

9. The City has implemented new GASB Statement No. 63, Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position as well as the early implementation of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Under GASB 63 and 65, amounts previously reported as deferred charges as a part of total assets and deferred amounts from refunded debt have been reported in a separate section as deferred outflows of resources and amounts previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources.
10. Vacation and sick leave expenses are charged to operations when taken by the employees of the City. Accordingly, no accruals are reflected in the accounts for unpaid amounts of vacation and sick leave earned by employees. Employees are allowed to carry over up to 40 hours of vacation leave and up to 720 hours of sick leave. Upon termination, employees are entitled for payment of the vacation they have earned but not for any sick leave. The liabilities for accumulated vacation and sick leave at September 30, 2019 are estimated to be insignificant and are not reflected in the accompanying financial statements.
11. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
12. The original budget is adopted by the City Council prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them.

Budgeted amounts for expenditures from the various funds may not exceed the beginning balances of those funds plus the anticipated revenues for the fiscal year. The final amended budget has been presented in this report. Unencumbered appropriations lapse at the end of each year.

13. The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
14. Other Post-Employment Benefits. GASB 75 requires the recognition of the Total OPEB Liability (TOL), deferred (inflows)/outflows of resources, and total OPEB expense on the face of the employer's financial statements. The TOL is calculated by the System's actuary in accordance with the provisions of GASB 75. The OPEB expense and deferred (inflows)/outflows of resources related to OPEB, which are required to be reported by an employer, primarily result from changes in the components of the TOL. Most changes in the TOL will be included in OPEB expense in the period of the change. The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund.

NOTE II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2019, the carrying amount of the City's deposits was \$64,499 and the bank balance was \$77,172. The City's cash deposits at September 30, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The City's deposits were secured by pledged securities and FDIC coverage.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is not in compliance with the requirements of the Act and with local policies.

The City's temporary investments at September 30, 2019 are shown below:

<u>Bank</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>FDIC Coverage</u>	<u>Pledged Securities</u>
<u>Liquid Asset Portfolio</u>				
TexPool	1,654	1,654	*	*
	\$ 1,654	\$ 1,654	\$ -	\$ -

*TexPool is a Local Government Investment Pool established in conformity with the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool is structured similar to money market mutual funds. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are adjusted daily and the fund seek to maintain a constant net asset value of \$1.00, although this cannot be guaranteed. TexPool is rated AAAM and must maintain a weighted average maturity not to exceed 60 days.

At September 30, 2019, TexPool had a weighted average maturity of 32 days. The City considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, short of a significant change in value. The State Comptroller oversees TexPool with a third party managing the daily operations of the pool under contract.

Policies Governing Deposits and Investments

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

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool Investment Pool invests only in investments authorized under the Public Funds Investment Act. TexPool's portfolio has low market (credit) risk due to restrictions on weighted average maturity and maximum maturity of any one investment. The investment manager is required to maintain a stable \$1.00 net asset value and must take immediate action if the net asset value of the portfolio falls below \$.995 or rises above \$1.005.

Restricted Assets

Restricted assets represent cash that has been set aside in the Capital Projects Fund for future payment of capital improvements.

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
TWDB Escrow	\$ 48,545	\$ -	\$ 48,545

B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the City fiscal year.

The Blanco County Appraisal District appraises and collects taxes for the City. For the 2018 tax roll, the City of Johnson City had property with an assessed valuation of \$171,750,548. The tax rate was \$0.465 (General Fund \$0.2974 and Debt Service \$0.1676) per \$100 valuation.

C. Court Fines and Fees Receivable

With the implementation of GASB Statement Number 34, the City has determined the amount of court fines and fees receivable to be \$45,632. Based on historical collection rates for the various courts, the City has booked an allowance for uncollectible court fines and fees of \$34,224, resulting in a net receivable of \$11,408.

D. Property, Plant and Equipment

A summary of fixed assets for the Water and Sewer Fund appears below:

	<u>Balance 10/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2019</u>
Land	\$ 41,402	\$ -	\$ -	\$ 41,402
Buildings	100,163			100,163
Improvements	6,882,552	102,027		6,984,579
Machinery & Equipment	372,733	6,500		379,233
Construction in Progress	291,419	921,783		1,213,202
Total Fixed Assets	\$ 7,688,269	\$ 1,030,310	\$ -	\$ 8,718,579
Less Reserve for Depreciation	(4,280,109)	(248,659)		(4,528,768)
Net Fixed Assets	\$ 3,408,160	\$ 781,651	\$ -	\$ 4,189,811

E. Capital Asset Activity

Capital asset activity for the City for the year ended September 30, 2019, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Land	\$ 484,501	\$	\$	\$ 484,501
Building	748,671			748,671
Machinery & Equipment	422,356	75,341		497,697
Improvements	2,824,662	60,850		2,885,512
Construction in Progress	-			-
Totals at Historic Cost	\$ 4,480,190	\$ 136,191	\$ -	\$ 4,616,381
Less Accumulated Depreciation				
Buildings & Improvements	\$ (938,997)	\$ (128,659)	\$	\$ (1,067,656)
Machinery & Equipment	(342,894)	(32,988)		(375,882)
Total Accumulated Depreciation	\$ (1,281,891)	\$ (161,647)	\$ -	\$ (1,443,538)
Governmental Activities				
Capital Assets, Net	\$ 3,198,299	\$ (25,456)	\$ -	\$ 3,172,843

Depreciation expense was charged to the following governmental functions:

Financial Administration	\$ 32,161
Police	46,208
Streets	5,484
Community Service	2,888
Hotel Motel	7,026
Municipal Court	13,931
Parks	11,402
Sanitation	42,547
	<u>\$ 161,647</u>

F. General Long-Term Debt

A summary of changes in General Long-Term Debt follows:

	Balance 10/1/2018	Issued	Retired	Balance 9/30/2019	Due Within One Year
<u>Governmental Activities-</u>					
General Obligation Refunding-					
Series 2012 (2.00-3.00%)	\$ 1,085,000	\$ -	\$ 80,000	\$ 1,005,000	\$ 80,000
Series 2015 Certificates					
of Obligation	\$ 880,000	\$ -	\$ 45,000	\$ 835,000	\$ 45,000
Premium on Refunding Bonds	47,766	-	4,080	43,686	-
Total Governmental Activities	\$ 2,012,766	\$ -	\$ 129,080	\$ 1,883,686	\$ 125,000

G. General Obligation Refunding Bonds

During 2013, the City advance refunded the Series 2003 and Series 2005 Certificates of Obligation by issuing \$1,675,000 general obligation refunding bonds – Series 2012. The refunding bonds mature on August 1 in each of the years 2013 through 2030, at interest rates from 2.0% to 3.0%.

The refunding bonds are payable from the collections of an ad valorem tax levied on taxable property, and further payable by a limited pledge of the surplus revenues of the water and sewer system in an amount not to exceed \$1,000.

Debt service requirements for the refunding bonds as of September 30, 2019 are as follows:

September 30	Principal	Interest	Annual Requirements
2020	\$ 80,000	\$ 27,050	\$ 107,050
2021	85,000	25,450	110,450
2022	95,000	23,750	118,750
2023	95,000	14,039	109,039
2024	100,000	19,000	119,000
2025-2029	455,000	55,800	510,800
2030	95,000	2,850	97,850
	<u>\$ 1,005,000</u>	<u>\$ 167,939</u>	<u>\$ 1,172,939</u>

H. Long-Term Debt Advance Refunding

During 2013, the City advance refunded the Series 2003 and Series 2005 Certificates of Obligation by issuing \$1,675,000 general obligation refunding bonds – Series 2012. The certificates of obligation were called and were redeemed by depositing \$1,672,380 into an escrow account on December 26, 2012. The certificates of obligation have been defeased and removed as a liability of the City. The refunding bonds resulted in a gross debt service savings of \$378,787 and the net present value savings of \$328,891. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:

Description	Refunded Amount	Balance 9/30/19
Certificates of Obligation -		
Series 2003	\$ 115,000	\$ -
Series 2005	<u>1,520,000</u>	<u>1,075,000</u>
TOTAL	<u>\$ 1,635,000</u>	<u>\$ 1,075,000</u>

I. Certificates of Obligation – Series 2015

The City issued Combination Tax and Surplus Revenue Certificates of Obligation, Series 2015 in the amount of \$895,000. Interest at rates ranging from 0.25 to 2.41% is payable February 1 and August 1 of each year. Principal payments are payable on August 1 of each year with a maturity date of August 1, 2035. The bonds were issued to finance wastewater system improvements. The bonds are payable from and secured by the collection of an ad valorem tax levied on all taxable property and surplus net revenue of the Water & Sewer Fund.

Debt service requirements for the Certificates of Obligation are as follows:

September 30	Principal	Interest	Annual Requirements
2020	\$ 45,000	\$ 15,216	\$ 60,216
2021	45,000	14,977	59,977
2022	50,000	14,604	64,604
2023	50,000	14,604	64,604
2024	50,000	13,374	63,374
2025-2029	255,000	54,343	309,343
2030-2034	280,000	26,874	306,874
2035	60,000	1,446	61,446
	<u>\$ 835,000</u>	<u>\$ 155,438</u>	<u>\$ 990,438</u>

J. Risk Management

The City of Johnson City is exposed to various risks of loss relating to general liability, accidental loss of real and personal property, damage to assets, errors and omissions, acts of God and personnel risks which relate to workers compensation.

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are sent annually to TML. Liability by the City is generally limited to the contributed amounts.

K. RETIREMENT PLAN

Plan Description

The City of Johnson City, Texas participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

The 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 2017	Plan Year 2018
Deposit Rate:	6%	6%
Matching Ratio (City to Employee):	1.5 to 1	1.5 to 1
Years required for vesting	5 yrs	5 yrs
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Employees covered by benefit terms.

At the December 31, 2018 valuation and measurement date, the following employees were covered

by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	14
Active employees	15
	<hr/>
	37

Contributions

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

Employees for the City of Johnson City, Texas were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Johnson City, Texas were 10.07% and 10.09% in calendar years 2018 and 2019, respectively. The city's contributions to TMRS for the year ended September 30, 2019, were \$81,201, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 98%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the

December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. 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 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
TOTAL	100.0%	

Discount Rate

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)
Balance at December 31, 2017	\$ 2,069,723	\$ 1,730,500	\$ 339,223
Changes for the year:			
Service Cost	101,940	-	101,940
Interest	140,230	-	140,230
Change of benefit terms	-	-	-
Difference between expected and actuarial experience	(37,077)	-	(37,077)
Change of assumptions	-	-	-
Contributions- employer	-	80,865	(80,865)
Contributions- employee	-	48,853	(48,853)
Net investment income	-	(51,870)	51,870
Benefit payments, including refunds of employee contributions	(86,412)	(86,412)	-
Administrative expense	-	(1,002)	1,002
Other changes	-	(53)	53
Net Changes	118,681	(9,619)	128,300
Balance at December 31, 2018	\$ 2,188,404	\$ 1,720,881	\$ 467,523

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 768,603	\$ 467,523	\$ 218,570

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 of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the City recognized pension expense of \$111,599.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actuarial experience	\$ 19,080	\$ 32,080
Changes in actuarial assumptions	2,504	
Difference between projected and actual investment earnings	89,766	
Contributions subsequent to the measurement date	59,199	
Total	\$ 170,549	\$ 32,080

\$59,199 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>		
2019	\$	34,364
2020		6,462
2021		4,709
2022		33,735
2023		-
Thereafter		-
Total	\$	<u>79,270</u>

L. Defined Other Post-Employment Benefit Plan

Benefit Plan Description. Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). The plan is a single employer defined benefit group life insurance plan. This 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 or not 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 an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

The City's contributions to the TMRS SDBF for the year ended 2019, 2018 and 2017 were \$1,486, \$2,931 and \$2,680 respectively, which equaled the required contributions each year.

Employees covered by benefit terms.

At the December 31, 2018 valuation and measurement date, the following employees were covered by benefit terms:

Inactive employees currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	3
Active Employees	<u>15</u>
Total	22

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The TOL in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 10.5 % including inflation
Discount Rate*	3.71%
Retirees' share of benefit-related cost	\$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	RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and females rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates- disabled retirees	RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

Discount Rate

Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

Covered Payroll	\$	814,214
Total OPEB Liability- Beginning of Year	\$	32,420
Changes for the year		
Service Cost		2,605
Interest on Total OPEB Liability		1,115
Changes of benefit terms		-
Differences between expected and actual experience		(306)
Changes in assumptions or other inputs		(2,750)
Benefit Payments **		(81)
Net Changes		583
Total OPEB Liability- End of Year	\$	33,003
Total OPEB Liability as a Percentage of Covered Payroll		4.05%

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the Total OPEB Liability to changes in the discount rate

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 3.71%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
\$ 40,372	\$ 33,003	\$ 27,353

OPEB Expense and Deferred Outflows of Resources

For the year ended September 30, 2019, the City recognized OPEB expense of \$3,701.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 256	\$ -
Changes in assumption and other inputs	2,300	1,974
Contributions made subsequent to the measurement date	-	59
Total	\$ 2,556	\$ 2,033

\$59 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:		
2019	\$	(19)
2020		(19)
2021		(19)
2022		(19)
2023		(450)
Thereafter		(56)
Total	\$	(582)

M. Employee Insurance Benefits

All regular full-time employees of the city are eligible for coverage under the group hospitalization, medical, dental and life insurance program provided by the city through TML Multistate Intergovernmental Employee Benefits Pool. The city pays the premium for eligible employees and employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

N. Cash Flows Statement - Supplemental Disclosure

Since the City is tax exempt, no income tax was paid in 2019 and 2018. The City paid interest in the amount of \$-0- in 2019 and \$-0- in 2018 on their outstanding debt.

O. Claims and Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.



P. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2019, is as follows:

Due to/from other funds:

	Due To	Due From
General Fund	\$ 600,750	\$ 453,814
Special Revenue Fund	-	285,962
Debt Service Fund	-	314,788
Capital Projects Fund	-	-
Water & Sewer Fund	453,814	-
Total	<u>\$ 1,054,564</u>	<u>\$ 1,054,564</u>

During the year ended September 30, 2019, the City's transfers between funds consisted of:

	Transfers In	Transfers Out
Capital Projects	\$ -	\$ -
Water/Sewer Fund	-	128,124
General Fund	166,859	38,735
Debt Service Fund	-	-
Total	<u>\$ 166,859</u>	<u>\$ 166,859</u>

Q. Negative Unrestricted Net Position

The unrestricted net position for the governmental activities reflects a large negative balance. Since the City finances utility fund improvements with taxes, the assets are reflected in the utility fund while the debt is shown in the governmental activities. This causes a large negative balance for unrestricted net position in the governmental activities as shown below:

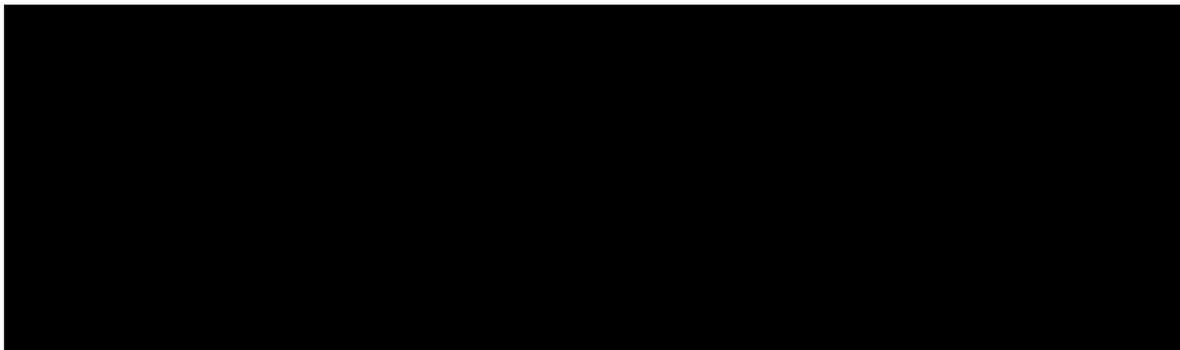
Long-term debt used to finance	
Utility (enterprise) fund improvements -	\$(1,883,686)
Unrestricted Net Position	<u>\$ 1,349,959</u>
As Reported on Exhibit A-1	\$ (533,727)

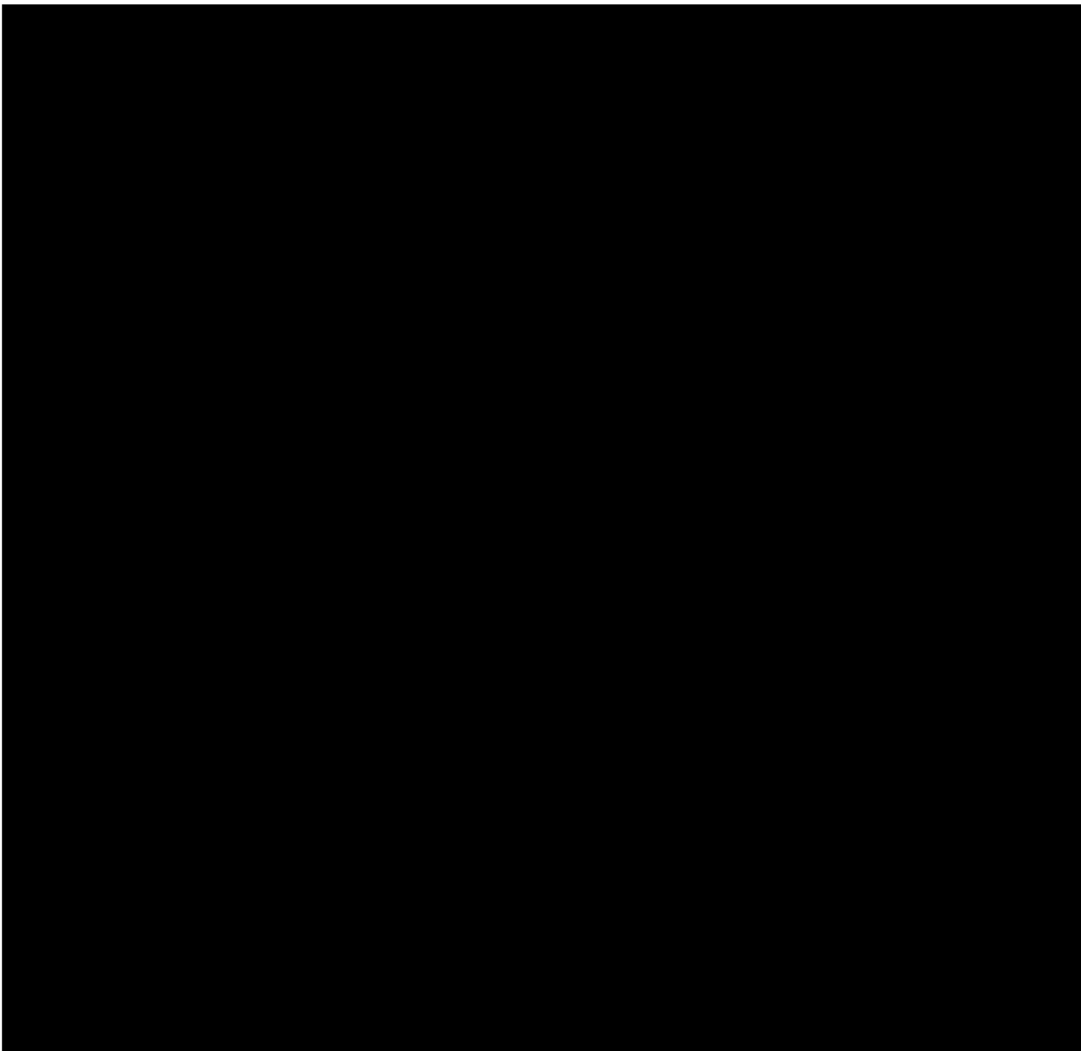
R. Fund Balance Deficit

The General Fund has a fund balance deficit of \$357,901. This deficit will be funded in fiscal year 2020 with transfers from other funds.

S. Excess of Expenditures Over Appropriations

Expenditures in the General Fund exceeded budgeted appropriations in several functions but not in total.





U. Non-Compliance

In January 2020, the Texas Water Development Board notified the City that it was delinquent on the timely filing of annual financial reports for FY 2016, 2017 and 2018. Further, the City had not filed with MSRB the required notices advising of the delinquencies [REDACTED] In March 2020, the City setup a timeline during which the City will take measures to correct these deficiencies for compliance. The FY 2016 audit was completed in March, 2020, and the FY 2017 audit was completed in September 2020.

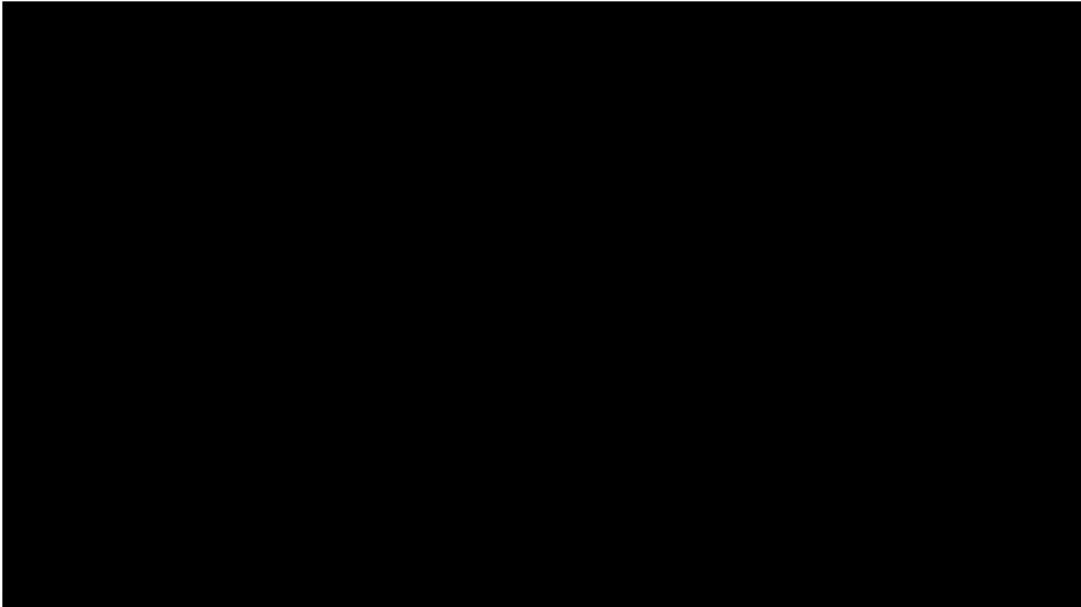
The TWDB bond covenants require the City to maintain separate and apart from all other funds and accounts a Sinking Fund to pay debt service as it comes due. The City has not established an interest and sinking fund compliant with bond covenants.

The City is not in compliance with the Public Funds Investment Act, Chapter 2256, Local Government Code. The City did not appoint an investment officer or complete the required training requirements. The City did not prepare the required investment reports or approve and adopt an annual investment policy.

The City did not obtain conflict of interest disclosure statements from council members that have family relationships with vendors as required by Local Government Code Chapter 176.

V. Subsequent Events

The City has evaluated subsequent events through May 3, 2021, the date which the financial statements were available to be issued.



The City is not aware of any other subsequent events that would materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JOHNSON CITY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 683,789	\$ 683,789	\$ 507,126	\$ (176,663)
General Sales and Use Taxes	386,000	386,000	434,731	48,731
Gross Receipts Business Tax	81,342	81,342	78,487	(2,855)
Other Taxes	150	150	200	50
Penalty and Interest on Taxes	8,000	8,000	5,542	(2,458)
Licenses and Permits	16,100	16,100	13,977	(2,123)
Intergovernmental Revenue and Grants	-	-	1,800	1,800
Charges for Services	231,600	231,600	335,304	103,704
Fines	121,190	121,190	113,777	(7,413)
Investment Earnings	-	-	2	2
Rents and Royalties	6,600	6,600	6,975	375
Other Revenue	42,200	42,200	60,064	17,864
Total Revenues	1,576,971	1,576,971	1,557,985	(18,986)
EXPENDITURES:				
Current:				
General Government:				
Financial Administration	351,536	351,536	270,062	81,474
Public Safety:				
Police	495,622	495,622	388,019	107,603
Public Works:				
Highways and Streets	114,230	114,230	46,053	68,177
Community Services	25,700	25,700	24,250	1,450
Municipal Court	136,044	136,044	157,903	(21,859)
Sanitation	269,977	269,977	357,276	(87,299)
Culture and Recreation:				
Parks	77,295	77,295	95,667	(18,372)
Debt Service	85,571	85,571	-	85,571
Total Expenditures	1,555,975	1,555,975	1,488,474	67,501
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,996	20,996	69,511	48,515
OTHER FINANCING SOURCES (USES):				
Transfers Out (Use)	(20,996)	(20,996)	(38,735)	(17,739)
Total Other Financing Sources (Uses)	(20,996)	(20,996)	(38,735)	(17,739)
Net Change	-	-	30,776	30,776
Fund Balance - October 1 (Beginning)	(388,677)	(388,677)	(388,677)	-
Fund Balance - September 30 (Ending)	\$ (388,677)	\$ (388,677)	\$ (357,901)	\$ 30,776

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

CITY OF JOHNSON CITY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
A. Total Pension Liability		
Service Cost	\$ 101,940	\$ 96,237
Interest (on the Total Pension Liability)	140,230	128,604
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	(37,077)	21,460
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(86,412)	(67,412)
Net Change in Total Pension Liability	\$ 118,681	\$ 178,889
Total Pension Liability - Beginning	2,069,723	1,890,834
Total Pension Liability - Ending	\$ 2,188,404	\$ 2,069,723
B. Total Fiduciary Net Position		
Contributions - Employer	\$ 80,865	\$ 79,033
Contributions - Employee	48,856	45,900
Net Investment Income	(51,870)	203,822
Benefit Payments, Including Refunds of Employee Contributions	(86,412)	(67,412)
Administrative Expense	(1,002)	(1,056)
Other	(56)	(54)
Net Change in Plan Fiduciary Net Position	\$ (9,619)	\$ 260,233
Plan Fiduciary Net Position - Beginning	1,730,500	1,470,266
Plan Fiduciary Net Position - Ending	\$ 1,720,881	\$ 1,730,499
C. Net Pension Liability	\$ 467,523	\$ 339,224
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.64%	83.61%
E. Covered Payroll	\$ 814,214	\$ 765,003
F. Net Pension Liability as a Percentage of Covered Payroll	57.42%	44.34%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only five years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
\$	88,894	\$	83,797	\$	68,572
	119,718		107,368		105,293
	29,035		-		-
	(12,737)		58,568		(96,759)
	-		17,464		-
	(68,375)		(49,667)		(60,478)
\$	156,535	\$	217,530	\$	-
	1,734,299		1,516,769		1,500,141
\$	1,890,834	\$	1,734,299	\$	1,500,141
\$	67,389	\$	62,066	\$	54,156
	43,328		40,255		34,921
	90,465		1,897		68,051
	(68,375)		(49,667)		(60,478)
	(1,022)		(1,155)		(710)
	(55)		(57)		(58)
\$	131,730	\$	53,339	\$	95,882
	1,338,536		1,285,198		1,189,316
\$	1,470,266	\$	1,338,537	\$	1,285,198
\$	420,568	\$	395,762	\$	231,571
	77.76%		77.18%		84.73%
\$	722,131	\$	670,916	\$	582,010
	58.24%		58.99%		39.79%

CITY OF JOHNSON CITY, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2019

	2019	2018	2017
Actuarially Determined Contribution	\$ 81,201	\$ 79,902	\$ 72,712
Contributions in Relation to the Actuarially Determined Contributions	(81,201)	(79,902)	(72,712)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 805,204	\$ 807,565	\$ 747,670
Contributions as a Percentage of Covered Payroll	10.08%	9.89%	9.73%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

2016		2015	
\$	67,718	\$	59,800
	(67,718)		(59,800)
\$	-	\$	-
\$	718,957	\$	627,045
	9.42%		9.54%

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2019

Valuation Date:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based tables of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP-2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

CITY OF JOHNSON CITY, TEXAS
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
Total OPEB Liability		
Service Cost	\$ 2,605	\$ 2,142
Interest on the Total OPEB Liability	1,115	1,036
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	(306)	-
Changes of Assumptions	(2,750)	2,936
Benefit Payments*	(81)	(77)
Net Change in Total OPEB Liability	583	6,037
Total OPEB Liability - Beginning	32,420	26,383
Total OPEB Liability - Ending	\$ 33,003	\$ 32,420
Covered Payroll	\$ 814,214	\$ 765,003
Total OPEB Liability as a Percentage of Covered Payroll	4.05%	4.24%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2019

Valuation Date:

Notes 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:

Inflation	2.5%
Salary Increases	Salary increases are assumed to occur every year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by 3.50% to 10.5% including inflation.
Actuarial Cost Method	Entry-Age Normal
Valuation of Assets	For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
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	RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates- disabled retirees	RP-2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.
Discount Rate	Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date. Discount rate is 3.31%.
Supplemental Death Benefit	The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Fund, the SDB rate for retiree coverage is currently only one-third of the total term cost.

Other Information:

Notes There were no benefit changes during the year.