CITY OF JOHNSON CITY, TEXAS
ANNUAL FINANCIAL REPORT
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2020

CITY OF JOHNSON CITY, TEXAS

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CITY OF JOHNSON CITY, TEXAS

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ATCHLEY & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Johnson City, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Johnson City, Texas (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

In conducting our audit, we encountered the following scope limitations with the governmental activities and business type activities: Certain matters that involve the [redacted] are currently under investigation, numerous accounting transactions and documents were either not recorded, recorded and not paid, recorded multiple times, paid and not recorded or recorded properly, the City has not maintained adequate financial accounting records and supporting documentation, and the system of internal control was not adequate to provide safeguards of assets and proper recording of transactions. We were not able to obtain sufficient appropriate auditee evidence through alternate procedures.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, 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.

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Other Matters

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3-9, budgetary comparison information on page 53, schedule of changes in the City's net pension asset/liability and related ratios - last ten years on pages 56-57, Texas Municipal Retirement System schedule of funding progress on page 58, and schedule of changes in the city's total OPEB liability and related ratios on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matters

The financial statements of the City, as of and for the year ended September 30, 2019, were audited by other auditors before restatement, whose report, dated May 3, 2021, expressed a disclaimer of opinion on those statements.

As part of our audit of the 2020 financial statements, we also audited the adjustments as described in Note P that were applied to restate the 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of the City other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 23, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Atchley & Associates, LLP

Austin, Texas
September 23, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

CITY OF JOHNSON CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2020

This section of the City of Johnson City's (the City) annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2020. This discussion and analysis should be read in conjunction with the City's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

- Governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

- The financial statements also include notes to the financial statements explaining some of the information in the financial statements and provide more detailed data.

- The report also contains required supplementary information in addition to the basic financial statements themselves. This contains additional information about the City's General Fund budget and information about the City's pension plan.

FIGURE A-1
REQUIRED COMPONENTS OF THE
CITY'S ANNUAL FINANCIAL REPORT

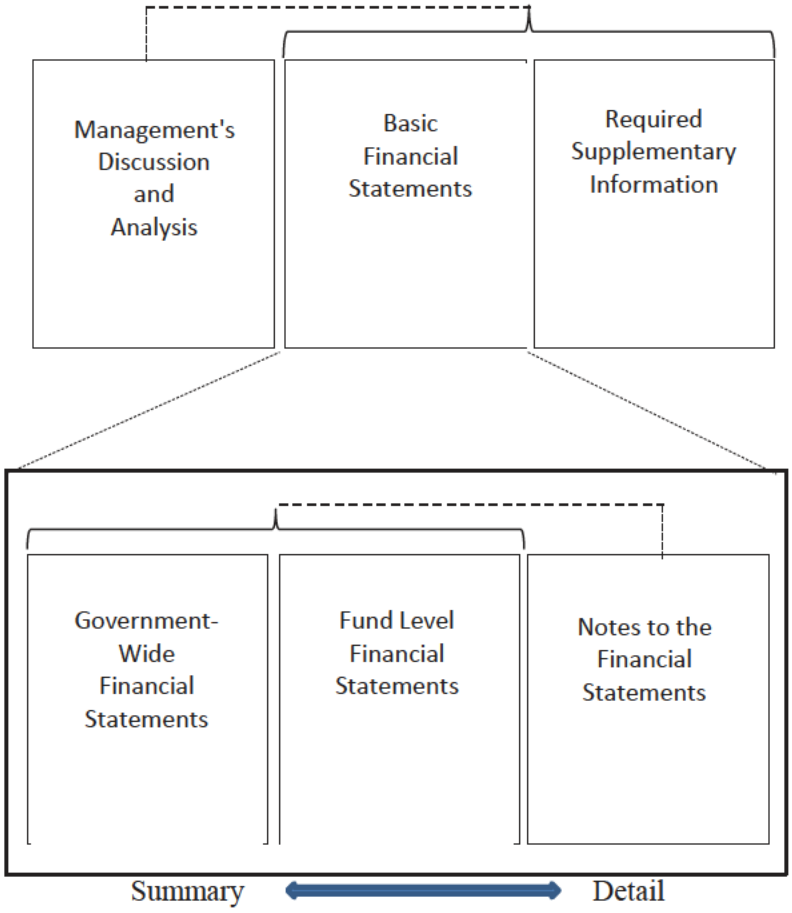


Figure A-1 shows how the parts of this annual report are arranged and related to one another.

The remainder of this overview explains the structure and contents of each of the statements.

Government-Wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector businesses. The statement of net position includes all of the government's assets and liabilities. In the statement of activities, all of the current year's revenues and expenses are accounted for regardless of when cash is received or paid, and all of the City's governmental activities and city services are combined and show how they are financed.

Both government-wide statements report the City's net position and how it has changed. Net position, the difference between the City's assets plus deferred outflows and liabilities plus deferred inflows, is one way to measure the City's financial health or position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

Fund Financial Statements

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

All cities have at least one major fund:

• Governmental fund – The City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because these funds do not encompass the additional long-term focus of the government-wide statements, additional information is provided following each fund statement that explains the relationship (or difference) between them.

Other common major funds:

• Some common funds are required by State law, such as the debt service fund, special revenues fund, and capital projects fund.

• Management may establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenue resources, such as special revenue, capital project, and grant funds.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the city government they cover, and the types of information they contain.

Figure A-2 - Major Features of the City's Government-Wide and Fund Financial Statements

		Fund Statements	
Type of Statements	**Government-Wide**	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City's government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary.	Activities the City operates similar to private business: utilities
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures & Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses & Changes in Net Position Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after year end; expenditures when goods or services have been received and payment is made during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

THE CITY AS A WHOLE (GOVERNMENT-WIDE)

FINANCIAL HIGHLIGHTS

- The City's total combined net position was $4,593,137 at September 30, 2020 (See Figure A-3).
- Current year activity resulted in an decrease in the City's net position by $405,882 (See Figure A-4).

Figure A-3
City's Net Position

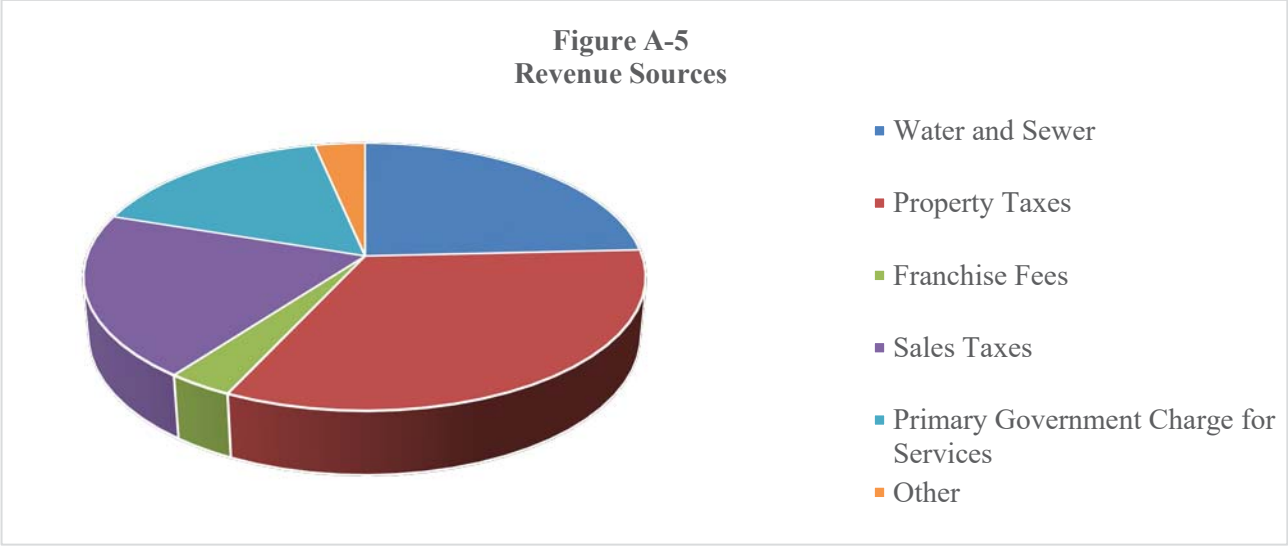
	Governmental Activities		Business-Type Activities		Total	
		As Restated				As Restated
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	$ 959,393	$ 870,757	$ 126,401	$ 107,233	$ 1,085,794	$ 977,990
Noncurrent assets	3,002,665	3,172,843	4,110,030	4,190,011	7,112,695	7,362,854
Total assets	3,962,058	4,043,600	4,236,431	4,297,244	8,198,489	8,340,844
Deferred outflows	78,993	122,937	50,565	64,023	129,558	186,960
Liabilities:						
Current liabilities	684,471	474,555	751,873	760,382	1,436,344	1,234,937
Long-term liabilities	1,821,121	2,073,531	273,511	185,681	2,094,632	2,259,212
Total liabilities	2,505,592	2,548,086	1,025,384	946,063	3,530,976	3,494,149
Deferred inflows	150,453	21,787	53,481	12,849	203,934	34,636
Net position:						
Investment in capital assets	1,248,019	1,330,372	4,109,830	4,189,811	5,357,849	5,520,183
Restricted	65,653	598,056	125,209	120,292	190,862	718,348
Unrestricted	71,334	(331,764)	(1,026,908)	(907,748)	(955,574)	(1,239,512)
Total net position	$ 1,385,006	$ 1,596,664	$3,208,131	$3,402,355	$ 4,593,137	$ 4,999,019

Figure A-4
Changes in City Net Position

	Governmental Activities		Business-Type Activities		Total	
		As Restated				As Restated
Revenues:	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for services	$ 404,363	$ 463,058	$ 592,524	$ 815,430	$ 996,887	$ 1,278,488
Grant income	298,315	-	-	815,131	298,315	815,131
General revenues:						
Taxes	1,374,055	1,353,474	-	-	1,374,055	1,353,474
Interest income	306	5,929	5	480	311	6,409
Other	72,811	74,381	2,317	14,485	75,128	88,866
Total revenues	2,149,850	1,896,842	594,846	1,645,526	2,744,696	3,542,368
Expenses:						
General government	421,616	306,521	-	-	421,616	306,521
Public safety	532,484	389,775	-	-	532,484	389,775
Streets	123,973	21,341	-	-	123,973	21,341
Community services	40,870	27,175	-	-	40,870	27,175
Municipal court	115,961	176,238	-	-	115,961	176,238
Parks	64,344	108,083	-	-	64,344	108,083
Sanitation	443,265	401,769	-	-	443,265	401,769
Hotel	50,909	66,026	-	-	50,909	66,026
Interest on debt	43,236	40,785	-	-	43,236	40,785
Other	523,961	149,244	-	-	523,961	149,244
Capital Outlay	-	790,131	-	-	-	790,131
Fiscal agent fees	-	1,140	-	-	-	1,140
Water and sewer	-	-	789,959	1,135,739	789,959	1,135,739
Total expenses	2,360,619	2,478,228	789,959	1,135,739	3,150,578	3,613,967
Revenues over (under) expenses	(210,769)	(581,386)	(195,113)	509,787	(405,882)	(71,599)
Transfers	(889)	128,124	889	(128,124)	-	-
Change in net position	(211,658)	(453,262)	(194,224)	381,663	(405,882)	(71,599)
Beginning net position	1,596,664	2,049,926	3,402,355	3,020,692	4,999,019	5,070,618
Ending net position	$ 1,385,006	$ 1,596,664	$3,208,131	$3,402,355	$ 4,593,137	$ 4,999,019

CITY REVENUES

The majority of the City's revenue is generated from charges for water and sewer services (22%), property taxes (29%), sales taxes (18%) and primary government charges for services (15%). The remaining is obtained from the grants, contributions, franchise fees, court fees, and other sources (See Figure A-5).



GROWTH TRENDS

Governmental Activities

The City's property tax rate for maintenance and operations (M&O) decreased from $0.3188 to $0.3091 in the current fiscal year generating $556,723 in M&O taxes, an increase of $49,597 over the previous fiscal year. While the City's franchise fees increased $1,849, or 2%, and sales taxes increased by $50,366, or 12%. The new M&O tax rate for the year beginning October 1, 2020 is $0.3109.

Business-Type Activities

Water and sewer sales decreased by $222,906, or 27%.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

General Fund revenues and transfers exceeded expenditures by $481,267 which was $308,199 more than budgeted. See details of budget and actual revenues on page 51.

Capital Assets

During the year ended September 30, 2020, the City invested $207,873 in a broad range of capital assets, including infrastructure, equipment and buildings (See Figure A-6). These additions were funded from grants.

Figure A-6
City's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	$ 484,501	$ 484,501	$ 41,402	$ 41,402	$ 525,903	$ 525,903
Construction in progress	-	-	-	1,213,202	-	1,213,202
Buildings	1,246,368	1,246,368	100,163	100,163	1,346,531	1,346,531
Machinery & equipment	2,885,512	2,885,512	379,233	379,233	3,264,745	3,264,745
Improvements	-	-	8,405,654	6,984,579	8,405,654	6,984,579
Total at historical cost	**4,616,381**	**4,616,381**	**8,926,452**	**8,718,579**	**13,542,833**	**13,334,960**
Accumulated depreciation	(1,613,716)	(1,443,538)	(4,816,622)	(4,528,768)	(6,430,338)	(5,972,306)
Net capital assets	**$ 3,002,665**	**$ 3,172,843**	**$ 4,109,830**	**$ 4,189,811**	**$ 7,112,495**	**$ 7,362,654**

Debt Administration

The City's property tax rate for debt services decreased from $0.1462 to $0.1219 in the current fiscal year generating $219,825 in debt service taxes, a decrease of $13,005 less than the previous fiscal year. More detailed information about the City's debt is presented in the Notes to the Financial Statements. The new debt service tax rate for the year beginning October 1, 2020 is $0.0881.

Figure A-7
City's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Bonds payable	1,754,646	1,883,686	-	-	1,754,646	1,883,686
Total	**$ 1,754,646**	**$ 1,883,686**	**$ -**	**$ -**	**$ 1,754,646**	**$ 1,883,686**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Next year's proposed General Fund budget is projected to remain consistent with this year's actual revenues.

General fund proposed expenditures are expected to increase by $214,695, resulting in an overall operating income of approximately $253,931.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Any questions about this report or need for additional financial information should be addressed to the City of Johnson City, Attn: City Administrative Officer, 303 E. Pecan Drive, Johnson City, TX 78636.

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BASIC FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 15,534	$ 18,212	$ 33,746
Investments	202,039	1,583	203,622
Receivables, net	99,073	106,606	205,679
Due from (to) other funds	593,900	(593,900)	-
Restricted assets:			
Cash and cash equivalents	48,847	-	48,847
Non-current assets:			
Other assets	-	200	200
Capital assets:			
Non-depreciable	484,501	41,402	525,903
Depreciable, net	2,518,164	4,068,428	6,586,592
Total assets	3,962,058	3,642,531	7,604,589
DEFERRED OUTFLOWS			
Deferred outflows related to refunding	13,052	-	13,052
Deferred outflows related to OPEB	5,650	2,134	7,784
Deferred outflows related to pensions	60,291	48,431	108,722
Total deferred outflows	78,993	50,565	129,558
LIABILITIES			
Current liabilities:			
Payable from unrestricted assets:			
Overdraft liability	41,584	-	41,584
Accounts payable	206,783	65,042	271,825
Accrued salary and benefits	294,385	92,931	387,316
Intergovernmental payable	2,244	-	2,244
Payable from restricted assets:			
Interest payable	9,475	-	9,475
Bonds payable, due within one year	130,000	-	130,000
Non-current liabilities:			
Payable from restricted assets:			
Customer deposits	-	125,209	125,209
Bonds payable, due more than one year	1,624,646	-	1,624,646
Net OPEB liability	27,272	14,300	41,572
Net pension liability	169,203	134,002	303,205
Total liabilities	2,505,592	431,484	2,937,076
DEFERRED INFLOWS			
Deferred inflows related to OPEB	2,725	1,301	4,026
Deferred inflows related to pensions	147,728	52,180	199,908
Total deferred inflows	150,453	53,481	203,934

The accompanying notes are an integral part of this financial statement.

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net investment in capital assets	1,248,019	4,109,830	5,357,849
Restricted	65,653	125,209	190,862
Unrestricted	71,334	(1,026,908)	(955,574)
Total net position	$ 1,385,006	$ 3,208,131	$ 4,593,137

The accompanying notes are an integral part of this financial statement.

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CITY OF JOHNSON CITY, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2020

Function/program activities	Expenses	Charges for Services
Primary government:		
Government activities:		
General government	$ 421,616	$ 109,177
Public safety	532,484	-
Streets	123,973	-
Community services	40,870	-
Municipal court	115,961	62,222
Parks	64,344	6,600
Sanitation	443,265	226,364
Hotel	50,909	-
Interest on debt	43,236	-
Other	523,961	-
	2,360,619	404,363
Business-type activities:		
Water & sewer	789,959	592,524
Total business-type activities	789,959	592,524
Total primary government	3,150,578	996,887

General revenues:
Taxes:
Property
Sales
Franchise
Other
Interest income
Miscellaneous
Transfers
Total general revenues and transfers

Changes in net assets

Net position - beginning of year, as restated

Net position - end of year after restatement

The accompanying notes are an integral part of this financial statement.

Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
		Primary Government		
Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
$ 90,442	$ 207,873	$ (14,124)	$ -	$ (14,124)
-	-	(532,484)	-	(532,484)
-	-	(123,973)	-	(123,973)
-	-	(40,870)	-	(40,870)
-	-	(53,739)	-	(53,739)
-	-	(57,744)	-	(57,744)
-	-	(216,901)	-	(216,901)
-	-	(50,909)	-	(50,909)
-	-	(43,236)	-	(43,236)
-	-	(523,961)	-	(523,961)
90,442	207,873	(1,657,941)	-	(1,657,941)
-	-	-	(197,435)	(197,435)
-	-	-	(197,435)	(197,435)
90,442	207,873	(1,657,941)	(197,435)	(1,855,376)
		799,959	-	799,959
		485,097	-	485,097
		80,336	-	80,336
		8,663	-	8,663
		306	5	311
		72,811	2,317	75,128
		(889)	889	-
		1,446,283	3,211	1,449,494
		(211,658)	(194,224)	(405,882)
		1,596,664	3,402,355	4,999,019
		$ 1,385,006	$ 3,208,131	$ 4,593,137

The accompanying notes are an integral part of this financial statement.

CITY OF JOHNSON CITY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2020

	General Fund	Hotel / Motel Fund
ASSETS		
Unrestricted		
Cash and cash equivalents	$ -	$ 536
Investments	76	-
Receivables, net	90,328	-
Due from other funds	593,900	-
Restricted assets:		
Cash and cash equivalents	-	-
Total assets	684,304	536
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Overdraft liability	41,584	-
Accounts payable	206,783	-
Accrued salary and benefits	294,385	-
Intergovernmental payable	2,244	-
Total liabilities	544,996	-
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	15,942	-
Total liabilities	15,942	-
FUND BALANCES		
Restricted	-	536
Committed	-	-
Unassigned	123,366	-
Total fund balances	123,366	536
Total liabilities, deferred inflows, and fund balances	$ 684,304	$ 536

The accompanying notes are an integral part of this financial statement.

Debt Service Fund	Capital Projects Fund	Total Governmental Funds
$ 14,994	$ 4	$ 15,534
-	201,963	202,039
8,745	-	99,073
-	-	593,900
-	48,847	48,847
23,739	250,814	959,393
-	-	41,584
-	-	206,783
-	-	294,385
-	-	2,244
-	-	544,996
7,469	-	23,411
7,469	-	23,411
16,270	48,847	65,653
-	201,967	201,967
-	-	123,366
16,270	250,814	390,986
$ 23,739	$ 250,814	$ 959,393

The accompanying notes are an integral part of this financial statement.

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

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	$	390,986
Amounts reported for governmental activities in the statement of net position are different due to the following:		
Capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.		3,002,665
Certain receivables are not available to pay current-period expenditures and, therefore, are deferred in the funds. This amount includes deferred property taxes.		23,411
Deferred outflows and inflows represent the consumption of net position that is applicable to a future reporting period and are not reported in the funds.		(71,460)
Certain liabilities related to long-term debt are not reported in the funds, such as accrued interest payable.		(9,475)
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(1,951,121)
NET POSITION - GOVERNMENTAL ACTIVITIES	$	1,385,006

The accompanying notes are an integral part of this financial statement.

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended September 30, 2020

	General Fund	Hotel / Motel Fund
REVENUES		
Property taxes	$ 556,723	$ -
Sales tax	485,097	-
Franchise taxes	80,336	-
Penalties and interest	7,217	-
Other taxes	170	-
Licenses and permits	62,971	46,206
Charge for services	234,431	-
Grants	298,315	-
Fines	62,222	-
Rents and royalties	50,225	-
Interest income	-	-
Other	21,119	-
Total revenues	1,858,826	46,206
EXPENDITURES		
Current:		
General government	334,843	-
Public safety	483,837	-
Streets	118,200	-
Community services	37,830	-
Municipal court	101,295	-
Parks	52,340	-
Sanitation	398,473	-
Hotel	-	43,512
Debt service:		
Principal	-	-
Interest	-	-
Total expenditures	1,526,818	43,512
Excess (deficiency) of revenues over expenditures	332,008	2,694
OTHER FINANCING SOURCES (USES)		
Other	(486,531)	-
Transfers in	1,027,563	-
Transfers out	(391,773)	(285,426)
Total other financing sources (uses)	149,259	(285,426)
Net change in fund balances	481,267	(282,732)
Fund balances - beginning of year, as restated	(357,901)	283,268
Fund balances - end of year	$ 123,366	$ 536

The accompanying notes are an integral part of this financial statement.

Debt Services Fund	Capital Projects Fund	Total Governmental Funds
$ 219,825	$ -	$ 776,548
-	-	485,097
-	-	80,336
1,276	-	8,493
-	-	170
-	-	109,177
-	-	234,431
-	-	298,315
-	-	62,222
-	-	50,225
-	306	306
-	-	21,119
221,101	306	2,126,439
-	-	334,843
-	-	483,837
-	-	118,200
-	-	37,830
-	-	101,295
-	-	52,340
-	-	398,473
-	-	43,512
125,000	-	125,000
43,366	-	43,366
168,366	-	1,738,696
52,735	306	387,743
-	-	(486,531)
183,360	-	1,210,923
(534,613)	-	(1,211,812)
(351,253)	-	(487,420)
(298,518)	306	(99,677)
314,788	250,508	490,663
$ 16,270	$ 250,814	$ 390,986

The accompanying notes are an integral part of this financial statement.

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	(99,677)
Amounts reported for governmental activities in the statement of activities are different due to the following:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay expenses in the current period.		(170,178)
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the long-term liabilities in the statement of net assets. This is the amount by which debt payments exceeded proceeds and changes in accrued interest and amortization of deferred outflows from refunding.		125,130
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These expenditures include changes in accrued compensation and changes in pension and OPEB benefits and related inflows and outflows.		(29,503)
Other changes		(37,430)
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	$	(211,658)

The accompanying notes are an integral part of this financial statement.

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2020

	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 18,212
Investments	1,583
Accounts receivable, net	106,606
Total current assets	126,401
Non-current assets:	
Non-depreciable assets, net	41,402
Depreciable assets, net	4,068,428
Other assets	200
Total non-current assets	4,110,030
Total assets	4,236,431
DEFERRED OUTFLOWS	
Deferred outflow related to pension	48,431
Deferred outflow related to OPEB	2,134
Total deferred outflows	50,565
LIABILITIES	
Current liabilities:	
Accounts payable	65,042
Accrued salary and benefits	92,931
Due to other funds	593,900
Total current liabilities	751,873
Non-current liabilities:	
Meter deposits	125,209
Net OPEB liability	14,300
Net pension liability	134,002
Total non-current liabilities	273,511
Total liabilities	1,025,384
DEFERRED INFLOWS	
Deferred inflow related to pensions	52,180
Deferred inflow related to OPEB	1,301
Total deferred inflows	53,481
NET POSITION	
Investment in capital assets	4,109,830
Restricted	125,209
Unrestricted	(1,026,908)
Total net assets	$ 3,208,131

The accompanying notes are an integral part of this financial statement.

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended September 30, 2020

	Enterprise Fund
OPERATING REVENUES	
Charges for services	$ 592,524
Other revenue	2,317
Total operating revenues	594,841
OPERATING EXPENSES	
Personnel services - salaries and wages	197,451
Personnel services - employee benefits and taxes	69,391
Purchased professional & technical services	9,000
Purchased property services	72,841
Other operating costs	147,241
Supplies	6,181
Depreciation	287,854
Total operating expenses	789,959
OPERATING INCOME	(195,118)
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	5
Total non-operating revenues (expenses)	5
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(195,113)
CONTRIBUTIONS AND TRANSFERS	
Transfers from (to) primary government	889
CHANGE IN NET POSITION	(194,224)
NET POSITION - BEGINNING OF YEAR	3,402,355
NET POSITION - END OF YEAR	$ 3,208,131

The accompanying notes are an integral part of this financial statement.

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended September 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	566,487
Receipts from others		2,317
Payments to employees and contractors		(162,148)
Payments to suppliers		(206,546)
Net cash flows from operating activities		200,110
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Operating transfers		889
Net cash flows from non-capital financing activities		889
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to capital assets		(207,873)
Net cash flows from capital and related financing activities		(207,873)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings		5
Net cash flows from investing activities		5
NET CHANGE IN CASH AND CASH EQUIVALENTS		(6,869)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		26,664
CASH AND CASH EQUIVALENTS - END OF YEAR	$	19,795

RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating income	$	(195,118)
Adjustments not affecting cash:		
Depreciation		287,854
(Increase) decrease in assets and increase (decrease) in liabilities:		
Accounts receivable		(26,037)
Accounts payable		(78,907)
Accrued salary and benefits		50,604
Due to other funds		140,086
Meter deposits		4,917
Deferred outflows		13,458
Deferred inflows		40,632
Net OPEB liability		2,057
Net pension liability		(39,436)
Net cash flows from operating activities	$	200,110

The accompanying notes are an integral part of this financial statement.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting and reporting policies and practices used by the City are described below.

Reporting Entity

The City's basic financial statements include all activities, organizations, and functions for which the City is considered to be financially accountable. The criteria considered in determining activities to be reported within the City's basic financial statements include whether:

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

The above criteria were applied to potential organizations to determine if the entity should be reported as part of the City. It was determined that the City has no component units or related organizations that should be reported within the City's basic financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Implementation of New Standards

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The City has postponed the implementation dates of the GASB's affected by this standard with the exception of GASB Statement 83, *Certain Asset Retirement Obligations* , and GASB Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* which were implemented in fiscal year 2019.

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Government-wide financial statements do not provide information by individual fund or fund types, but distinguish between the City's governmental activities and business-type activities on the Statement of Net Position and Statement of Activities. The statements report information on all of the non-fiduciary activities of the primary government and its component units. The City's Statement of Net Position includes both non-current assets and non-current liabilities of the City. Accrual accounting reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. Additionally, the government-wide Statement of Activities reflects depreciation expense on the City's capital assets, including infrastructure.

Statement of Net Position

The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). The City reports all capital assets, including infrastructure, in the government-wide Statement of Net Position and reports depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of the City is broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Long-term liabilities are reported in two categories: 1) the amount due within one year; and 2) the amount due in more than one year.

Statement of Activities

The government-wide Statement of Activities reports net revenue (expense) in a format that focuses on the cost of each of the City's governmental activities and for each of the City's business-type activities. The expense of individual functions is compared to revenues generated directly by the function (for instance, through user charges or intergovernmental grants). General revenues (including all taxes), investment earnings, special and extraordinary items, and transfers between governmental and business-type activities are reported separately after the total net expenses of the government's functions, ultimately arriving at the change in net position of the period. Program revenues are segregated into three categories: 1) charges for services; 2) program-specific operating grants and contributions; and 3) program-specific capital grants and contributions. Indirect costs are allocated amount functions based on use.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Level Financial Statements

In addition to the government-wide financial statements, the City prepares fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The focus on the fund financial statements is on the major individual funds of the governmental and business-type activities, as well as any fiduciary funds (by category) and any component units. Fund financial accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The City reports the following major governmental funds:

General Fund
Reports as the primary fund of the City. This fund is used to account for all financial resources not reported in any other funds.

Hotel / Motel Fund
Established to account for revenues assessed and collected for specific purposes.

Debt Service Fund
Established to account for the accumulation of financial resources for the payment of principal and interest of the City's general obligation debt. The City annually levies *ad valorem* taxes restricted for the retirement of general obligation bonds and interest. This fund reports *ad valorem* taxes collected for debt purposes only.

Capital Projects Fund
Bond Management - Established to account for the capital expenditures of general obligation bond proceeds.

Grants Management - Established to account for the City's capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses.

The City reports the following major enterprise funds:

Water and Sewer Fund
Accounts for the operating activities of the City's water and sewer services.

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within fund). Proprietary fund level financial statements also report using the same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year in which they are levied while grants are recognized when grantor eligibility requirements are met.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within sixty days of the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for debt principal and interest which are reported expenditures in the year due.

Major revenue sources susceptible to accrual include sales and property taxes. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and included administrative expenses and depreciation of capital assets.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. See Note E for information describing the City's restricted assets.

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

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

Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

The City's capital assets and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective funds. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of $5,000 or more as purchases and outlays occur. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. For information describing capital assets, see Note F.

Estimated useful lives, in years, for depreciable assets are as follows:

Machinery and equipment	5-7
Buildings and improvements	10-20
Infrastructure	20-50

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Inflows/Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows, found on the government-wide Statement of Net Position, consist of deferred losses on refundings and deferred outflows related to pensions. A deferred loss on refunding occurs when there is a difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Deferred outflows related to pensions consist of amounts paid into the retirement system after the prescribed measurement date plus the net difference between projected and actual earnings.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows, found on the government-wide Statement of Net Position, consist of deferred inflows related to pensions and deferred professional prosecutor revenue. On the governmental funds balance sheet, deferred inflows consist of deferred property tax revenue, deferred special assessment revenue, and deferred professional prosecutor revenue. All amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

Long-Term Debt

In the government-wide and proprietary fund level financial statements, outstanding debt is reported as liabilities. Outstanding debt is reported within governmental activities and business-type activities based on use of proceeds. Bond issue costs are expensed when incurred.

Fund Balance/Net Position

Fund balances/net position are divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable

The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, the assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a city official delegated that authority by City Charter or ordinance.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Revenues and Expenditures/Expenses

Inter-Fund Activity

Inter-fund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers-in and transfers-out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, inter-fund receivables and payables, if applicable, are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Assets.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences

Compensated absences are reported as accrued in the government-wide financial statements. In the fund level financial statements, only matured compensated absences payable to currently terminating employees are reported.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Final amounts could differ from those estimates.

Subsequent Events

Management of the City has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the consolidated financial statements were available to be issued. See Note Q.

B. DEPOSITS AND INVESTMENTS

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

Cash Deposits

At September 30, 2020, carrying amounts of the City's cash deposits were net overdraft liability of $7,838 and bank balances were $67,193. The City's cash deposits at September 30, 2020, were not in excess of FDIC insurance.

Investments

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

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

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

B. DEPOSITS AND INVESTMENTS - CONTINUED

Fair Value Hierarchy

The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:
Quoted prices for similar assets or liabilities in active markets;
Quoted prices for identical or similar assets or liabilities in inactive markets;
Inputs other than quoted prices that are observable for the asset or liability; and
Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 Inputs to the valuation methodology are unobservable and significant and use the best information available under the circumstances.

The City's fair value determination of money market and fixed income are based on unadjusted quoted prices for identical assets in active markets. TexPool investments are not classified in a level hierarchy as they are recorded at net asset value.

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

Investment or Investment Type	Level	Maturity	Fair Value
TexPool Investment	N/A	N/A	$ 1,659
Money Market Fund	1	N/A	101,786
Fixed Income	1	N/A	100,177
			$ 203,622

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). This statement establishes how certain state and local government external investment pools may measure and report their investments. An external investment pool may elect to measure, for reporting purposes, all of its investments at amortized cost if it meets certain criteria. In addition, this statement also establishes additional note disclosures for external investment pools and their participants.

TexPool operates in a manner consistent with the criteria set forth in GASB 79 and therefore uses amortized cost to report net assets to compute share prices. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool does not have any restrictions or limitations on withdrawals.

TexPool is rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's for review. TexPool is also required to send portfolio information to the office of the State Comptroller of Public Accounts.

B. DEPOSITS AND INVESTMENTS - CONTINUED

Analysis of Specific Deposit and Investment Risks

Professional standards require a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Credit Risk

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

Custodial Credit Risk

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At September 30, 2020, the City's investment deposits were entirely covered by depository insurance or collateralized with securities held by the pledging financial institution in the City's name.

Concentration of Credit Risk

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

Interest Rate Risk

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

Foreign Currency Risk

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

C. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position:

The governmental fund balance sheet includes a reconciliation between the governmental fund balance on the fund financial statements and total net position of governmental activities on the government-wide financial statements.

Governmental fund balance		$ 390,986
Difference due to capital assets		
Capital assets	4,616,381	
Accumulated depreciation	(1,613,716)	3,002,665
Difference due to deferred outflows		
Deferred outflows related to pensions	60,291	
Deferred outflows related to OPEB	5,650	
Deferred loss on refunding	13,052	78,993
Difference due to current liabilities		
Interest payable		(9,475)
Difference due to non-current liabilities		
Net pension liability	(169,203)	
Net OPEB liability	(27,272)	
Bonds payable	(1,754,646)	(1,951,121)
Difference due to deferred inflows		
Deferred inflows related to property taxes	23,411	
Deferred inflows related to pensions	(147,728)	
Deferred inflows related to OPEB	(2,725)	(127,042)
Government-wide net position		$ 1,385,006

Explanation of differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities:

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between the change in governmental fund balance on the fund financial statements and change in total net position of governmental activities on the government-wide financial statements.

C. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONTINUED

Change in governmental fund balance		$ (99,677)
Amount by which depreciation exceeds capital outlay expense and other capital related transactions		
Depreciation expense		(170,178)
Long-term debt and related items		
Debt payments	125,000	
Accrued interest adjustment	(2,584)	
Amortization of premium on refunding	4,040	
Amortization of loss on refunding	(1,326)	125,130
Expenses that do not require the use of current financial resources or have not		
Property taxes recorded as deferred inflows	23,411	
Changes in pension expense and deferred outflows and inflows	(49,656)	
Changes in OPEB expense and deferred outflows and inflows	(3,258)	(29,503)
Other		(37,430)
Change in government-wide net position		$ (211,658)

D. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE

Sales Tax Receivable

Sales taxes are collected and remitted to the City by the State Comptroller's Office. All sales taxes are collected within sixty days of year end. At fiscal year end, the receivables represent taxes collected but not yet received by the City and are recorded as revenue.

Property Taxes Receivable and Deferred Revenue

Property taxes are assessed and remitted to the City by the Travis County Tax Assessor's Office. Taxes, levied annually on October 1, are due by January 31. The majority of tax payments are received December through March. Lien dates for real property are July.

Allowances for uncollectible tax receivables reported in the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off when deemed uncollectible; however, state statutes prohibit writing off real property taxes without specific authority from the Texas Legislation.

In the governmental fund level financial statements, property taxes receivable are recorded in the General Fund when assessed (October 1). At fiscal year end, property taxes receivables represent delinquent taxes. If delinquent taxes are not paid within sixty days of fiscal year end, they are recorded as deferred revenue.

D. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE - CONTINUED

In the government-wide financial statements, property tax receivables and related revenues include all amounts due to the City regardless of when cash is received.

At September 30, 2020, receivables for governmental activities are summarized in the government-wide financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Sales tax receivable	$ 36,996	$ -	$ 36,996
Property tax receivable	25,986	(1,299)	24,687
Garbage receivable	36,715	-	36,715
Other	675	-	675
Total receivables	$ 100,372	$ (1,299)	$ 99,073

Business-Type Activities Receivables

Business-type activities receivables represent amounts due from customers for water, wastewater, and sanitation services. These receivables are due within one month. Receivables are reported net of an allowance for uncollectible accounts and revenues net of what is estimated to be uncollectible. The allowance is estimated using accounts receivable past due more than ninety days.

At September 30, 2020, Business-type activities receivables are summarized in the financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Customer receivables	$ 109,052	$ (2,446)	$ 106,606
Total receivables	$ 109,052	$ (2,446)	$ 106,606

E. RESTRICTED CASH AND INVESTMENTS

At September 30, 2020, restricted assets consisted of the following:

Cash and cash equivalents:	Governmental Activities	Business-Type Activities	Total
TWDB escrow	$ 48,847	$ -	$ 48,847
Customer deposits	-	125,209	125,209
Total cash and cash equivalents	$ 48,847	$ 125,209	$ 174,056

Investments:	Governmental Activities	Business-Type Activities	Total
General	$ 202,039	$ -	$ 202,039
Utility fund	-	1,583	1,583
Total investments	$ 202,039	$ 1,583	$ 203,622

F. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletions/ Reclass	Ending Balance
Non-depreciable assets:				
Land	$ 484,501	$ -	$ -	$ 484,501
Total non-depreciable assets	$ 484,501	$ -	$ -	$ 484,501
Depreciable assets:				
Buildings	$ 748,671	$ -	$ -	$ 748,671
Machinery & equipment	497,697	-	-	497,697
Improvements	2,885,512	-	-	2,885,512
Total depreciable assets	4,131,880	-	-	4,131,880
Accumulated depreciation	(1,443,538)	(170,178)	-	(1,613,716)
Depreciable assets, net	$ 2,688,342	$ (170,178)	$ -	$ 2,518,164

Business-Type Activities:	Beginning Balance	Additions	Deletions/ Reclass	Ending Balance
Non-depreciable assets:				
Land	$ 41,402	$ -	$ -	$ 41,402
Construction in progress	1,213,202	207,873	(1,421,075)	-
Total non-depreciable assets	$ 1,254,604	$ 207,873	$ (1,421,075)	$ 41,402
Depreciable assets:				
Buildings	$ 100,163	$ -	$ -	$ 100,163
Machinery and equipment	379,233	-	-	379,233
Improvements	6,984,579	1,421,075	-	8,405,654
Total depreciable assets	7,463,975	1,421,075	-	8,885,050
Accumulated depreciation	(4,528,768)	(287,854)	-	(4,816,622)
Depreciable assets, net	$ 2,935,207	$ 1,133,221	$ -	$ 4,068,428

F. CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to the functions as follows:

Function:	Governmental Activities	Business-Type Activities	Total
General government	$ 33,859	$ -	$ 33,859
Public safety	48,647	-	48,647
Streets	5,773	-	5,773
Community services	3,040	-	3,040
Municipal court	14,666	-	14,666
Parks	12,004	-	12,004
Sanitation	44,792	-	44,792
Hotel	7,397	-	7,397
Buildings	-	2,920	2,920
Machinery and equipment	-	156,188	156,188
Improvements	-	128,746	128,746
Total depreciation expense	$ 170,178	$ 287,854	$ 458,032

G. INTER-FUND BALANCES AND ACTIVITY

Transfers (To) From Other Funds

Purpose	General Fund	Debt Service Fund	Proprietary Fund	Hotel / Motel Fund
Property taxes collected for debt payments	$ (219,825)	$ 219,825	$ -	$ -
Funds paid down for debt	(101,468)	168,366	(66,898)	-
Other transfers	957,083	(739,444)	67,787	(285,426)

H. LONG-TERM DEBT

Long-Term Debt Activity

Changes in long-term debt obligations for the year ended September 30, 2020, are as follows:

Governmental Activities:	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Bonds payable	1,840,000	-	(125,000)	1,715,000	130,000
Premium on refunding	43,686	-	(4,040)	39,646	4,040
Total governmental activities	$ 1,883,686	$ -	$ (129,040)	$ 1,754,646	$ 134,040

H. LONG-TERM DEBT - CONTINUED

Debt Service Requirements

General Obligation Refunding Bonds, Series 2012

On December 1, 2012, the City issued $1,675,000 in general obligation bonds, proceeds to be used to refund Series 2003 and 2005 certificates of obligations. Bond interest rate from 2.00% - 3.00% with semi-annual payments due on February 1 and August 1 of each year until maturity in 2030 or prior redemption.

Certificate of Obligation, Series 2015

On July 16, 2015, the City issued $895,000 in certificate of obligation bonds. The bond interest rates between 0.00% to 2.41% with semi-annual payments due on February 1 and August 1 of each year until maturity in 2035 or prior redemption.

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

	Series 2012 - $1,675,000		
For the years ending September 30,	Principal	Interest	Total
2021	$ 85,000	$ 25,450	$ 110,450
2022	95,000	23,750	118,750
2023	95,000	21,375	116,375
2024	100,000	19,000	119,000
2025	85,000	16,500	101,500
2026 - 2030	465,000	42,150	507,150
Total	$ 925,000	$ 148,225	$ 1,073,225

	Series 2015 - $895,000		
For the years ending September 30,	Principal	Interest	Total
2021	$ 45,000	$ 14,977	$ 59,977
2022	50,000	14,604	64,604
2023	50,000	14,039	64,039
2024	50,000	13,374	63,374
2025	50,000	12,628	62,628
2026 - 2030	260,000	49,538	309,538
2031 - 2035	285,000	20,497	305,497
Total	$ 790,000	$ 139,657	$ 929,657

Deferred Outflow on Refunding

The City has deferred outflow of $23,308 related to the Series 2012 refunding. This outflow represents the amount of the new bond principal, less issuance costs, that was greater than the current principal balance of the bonds refunded and will be amortized, straight-line, over the life of the Series 2015 Bond. The deferred outflow remaining balance at September 30, 2020, was $13,052.

H. LONG-TERM DEBT - CONTINUED

Continuing Disclosure

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Disclosure Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operation of the City.

I. RESTRICTED NET ASSETS

At September 30, 2020, net assets restricted by enabling legislation consisted of the following:

	Governmental Activities	Business-Type Activities	Total
TWDB escrow	$ 48,847	$ -	$ 48,847
Debt service	16,270	-	16,270
Hotel/motel fund	536	-	536
Customer deposits	-	125,209	125,209
Total restricted net assets	$ 65,653	$ 125,209	$ 190,862

J. RISK MANAGEMENT

The 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. PENSION PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. This report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153, or by calling 800-924-8677; in addition, the report is available on TMRS's website at www.TMRS.com.

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 are as follows:

K. PENSION PLAN - CONTINUED

	Plan Year 2018	Plan Year 2019
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
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

At December 31, 2019, the following employees were covered by the benefit term

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	13
Active employees	14
	35

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The actuarially determined required employer contribution rate for calendar years 2019, 2018, and 2017 were 10.09%, 10.07%, and 4 9.84%, respectively. The required contribution rate payable by the employee members for calendar years 2019, 2018, and 2017 the rate was 6%.

Net Pension Asset

The City's net pension asset was measured as of December 31, 2019, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

K. PENSION PLAN - CONTINUED

Actuarial Assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	December 31, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	21 years
Asset valuation method	10 Year smoothed market; 12.00% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information:	
Notes	1) There were no benefit changes during the year.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

Discount Rate

The discount rate used to measure the total pension asset was 6.75%. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment expenses.

K. PENSION PLAN - CONTINUED

Change in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability / (Asset) (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a-b)
Balances as of December 31, 2018	$ 2,188,404	$ 1,720,881	$ 467,523
Changes for the year:			
Service cost	100,186	-	100,186
Interest on total pension liability	148,640	-	148,640
Change in benefit terms including substantively automatic status	-	-	-
Difference between expected and actual experience	(25,016)	-	(25,016)
Effect of assumptions changes or inputs	3,066	-	3,066
Benefit payments	(72,846)	-	(72,846)
Administrative expenses	-	(1,503)	1,503
Contributions - employer	-	78,683	(78,683)
Contributions - employee	-	47,746	(47,746)
Net investment income	-	266,314	(266,314)
Benefit payments	-	(72,846)	72,846
Other	-	(46)	46
Net changes	154,030	318,348	(164,318)
Balances as of December 31, 2019	$ 2,342,434	$ 2,039,229	$ 303,205

Sensitivity of the Net Pension Liability (Asset) 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 asset would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability / (asset)	$ 2,276,728	$ 1,323,563	$ 556,687

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TMRS's comprehensive annual financial report.

K. PENSION PLAN - CONTINUED

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of $138,360. At September 30, 2020, deferred outflows and inflows of resources related to pensions were reported from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual earnings	$ 37,932	$ 5,284
Changes in assumptions	-	2,231
Differences between projected and actual earnings	161,976	101,207
Contributions made subsequent to measurement date	-	53,539
	$ 199,908	$ 162,261

The $53,539 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

Years Ending September 30,	
2021	$ (29,550)
2022	(31,303)
2023	(303)
2024	(30,030)
2025	-
Thereafter	-
	$ (91,186)

Funded Status and Funding Process

The fund status as of December 31, 2019, is presented as follows:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Funded Ratio (a)/(b)	(d) Unfunded AAL (UAAL) (b) - (a)	(e) Covered Payroll	(f) UAAL as of % of Covered Payroll (d)/(e)
12/31/2017	$ 1,730,499	$ 2,069,723	83.61%	$ 339,224	$ 765,003	44.34%
12/31/2018	1,720,881	2,188,404	78.64%	467,523	814,214	57.42%
12/31/2019	2,039,229	2,342,434	87.06%	303,205	795,762	38.10%

K. PENSION PLAN - CONTINUED

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual amounts are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility actuarial in accrued liabilities and the actuarial value of assets. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

L. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - SUPPLEMENTAL DEATH BENEFITS FUND (SDBF)

Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	3
Active employees	14
	21

Contributions

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer’s yearly contributions for retirees. During the year ended September 30, 2020, the City has not made any contributions to the SDBF.

L. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - SUPPLEMENTAL DEATH BENEFITS FUND (SDBF) - CONTINUED

Actuarial Assumptions

The total OPEB liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	December 31, 2019
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.75%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
Other Information:	
Notes	No benefit changes during the year.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Note: The actuarial assumptions used in the December 31, 2019, valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

L. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - SUPPLEMENTAL DEATH BENEFITS FUND (SDBF) - CONTINUED

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability / (Asset) (a)	Fiduciary Net OPEB (b)	Net OPEB Liability / (Asset) (a-b)
Balances as of December 31, 2018	$ 33,003	$ -	$ 33,003
Changes for the year:			
Service cost	2,228	-	2,228
Interest on total pension liability	1,264	-	1,264
Difference between expected and actual experience	(2,351)	-	(2,351)
Effect of assumptions changes or inputs	7,508	-	7,508
Benefit payments	(80)	-	(80)
Net changes	8,569	-	8,569
Balances as of December 31, 2019	$ 41,572	$ -	$ 41,572

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 2.75%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (1.75%) or one percentage point higher (3.75%) than the current rate.

	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Net OPEB liability / (asset)	$ 51,520	$ 41,572	$ 34,019

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TMRS's comprehensive annual financial report.

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of $4,288. At September 30, 2020, deferred outflows and inflows of resources related to OPEB were reported from the following sources:

L. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - SUPPLEMENTAL DEATH BENEFITS FUND (SDBF) - CONTINUED

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 2,176	$ -
Changes in assumptions and other inputs	1,850	7,784
Contributions made subsequent to measurement date	-	-
	$ 4,026	$ 7,784

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

Years Ending September 30,	
2021	$ 817
2022	817
2023	817
2024	386
2025	780
Thereafter	141
	$ 3,758

M. HEALTH CARE COVERAGE

During the year ended September 30, 2020, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of $78,074 to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

N. COMMITMENTS AND CONTINGENCIES

Litigation

The City is currently working with authorities related to an on-going investigation of [redacted] Currently there are no recorded or disclosed amounts given the nature and current status of the investigation.

Contingent Liabilities

The City has contacted the Internal Revenue Service for amounts due on quarterly payroll taxes for 2017 through 2020 in the amount of $377,334. This amount has been recorded in the accrued salary and benefits line on the Statement of Net Position.

O. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

P. RESTATEMENT

An investment account was not included in the prior period balances for the Capital Projects Fund, we have restated fund balance of that fund to reflect the investment account.

Capital Project Fund	As Previously Stated	Restatement	As Restated
Fund balance, beginning of the year	$ 48,545	$ 201,963	$ 250,508

Q. SUBSEQUENT EVENTS

The City issued general obligation refunding bonds on September 13, 2021, in the amount of $402,000.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND
Year Ended September 30, 2020

	Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	$ 713,928	$ 713,928	$ 556,723	$ (157,205)
Sales tax	457,500	457,500	485,097	27,597
Franchise taxes	81,342	81,342	80,336	(1,006)
Penalties and interest	8,000	8,000	7,217	(783)
Other taxes	150	150	170	20
Licenses and permits	26,500	26,500	62,971	36,471
Charge for services	260,400	260,400	234,431	(25,969)
Fines	95,000	95,000	62,222	(32,778)
Rents and royalties	48,750	48,750	50,225	1,475
Other	14,521	14,521	21,119	6,598
Total revenues	1,706,091	1,706,091	1,560,511	(145,580)
EXPENDITURES				
General government	446,913	446,913	334,843	112,070
Public safety	403,080	403,080	483,837	(80,757)
Streets	140,000	140,000	118,200	21,800
Community services	29,000	29,000	37,830	(8,830)
Municipal court	103,782	103,782	101,295	2,487
Parks	63,600	63,600	52,340	11,260
Sanitation	346,648	346,648	398,473	(51,825)
Total expenditures	1,533,023	1,533,023	1,526,818	6,205
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	173,068	173,068	33,693	(139,375)
OTHER FINANCING SOURCES (USES)				
Capital grants and contributions	-	-	298,315	298,315
Other expenses	-	-	(486,531)	(486,531)
Transfers (to) from other funds:	-	-	635,790	635,790
Total other financing sources (uses)	-	-	447,574	447,574
NET CHANGE IN FUND BALANCE	173,068	173,068	481,267	308,199
FUND BALANCE - BEGINNING OF YEAR	(357,901)	(357,901)	(357,901)	-
FUND BALANCE - END OF YEAR	$ (184,833)	$ (184,833)	$ 123,366	$ 308,199

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A. GENERAL FUND BUDGETARY ANALYSIS

Budgetary Information

The City Council adopts an annual budget prepared on a non-GAAP cash basis. City management may transfer part or all of any unencumbered appropriation balance within specific categories (i.e., personnel, operations, supplies, or capital outlay) within programs; however, any revisions that alter the total expenditures of the categories must be approved by the City Council. The City, for management purposes, adopts budgets for all funds. Legal budgets are also adopted for all funds, and the legal level of control is the fund level.

Capital projects are funded through capital grants or general obligation debt authorized for specific purposes.

All unused appropriations, except appropriations for capital expenditures, lapse at the close of the fiscal year to the extent they have not been expended or encumbered. An appropriation for capital expenditures shall continue in force until the purpose for which it was made is accomplished or abandoned. No supplemental budgetary appropriations occurred in the debt service fund or in the general fund. Revised budgets, if any, are used for budget versus actual comparisons.

B. BUDGET VERSUS ACTUAL RESULTS

Operating revenues in the general fund were less than budgeted by $145,580, and operating expenditures were less than budgeted by $6,205, resulting in an overall operating variance unfavorable of $139,375. Due to unfavorable operating results, there was an overall increase in fund balance of $481,267 for the City's general fund.

CITY OF JOHNSON CITY, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION ASSET/LIABILITY AND RELATED RATIOS
LAST TEN YEARS*
(Unaudited)

	2020	2019
Total Pension Liability (Asset)		
Service cost	$ 100,186	$ 101,940
Interest on total pension liability	148,640	140,230
Change in benefit terms including substantively automatic status	-	-
Difference between expected and actual experience	(25,016)	(37,077)
Effect of assumptions changes or inputs	3,066	-
Benefit payments, including refunds of employee contributions	(72,846)	(86,412)
Net change in total pension liability (asset)	154,030	118,681
Total pension liability (asset), beginning	2,188,404	2,069,723
Total pension liability (asset), ending (a)	$ 2,342,434	$ 2,188,404
Fiduciary Net Position		
Employer contributions	$ 78,683	$ 80,865
Employee contributions	47,746	48,856
Net investment income (loss)	266,314	(51,870)
Benefit payments, including refunds of employee contributions	(72,846)	(86,412)
Administrative expenses	(1,503)	(1,002)
Other	(46)	(56)
Net change in fiduciary net position	318,348	(9,619)
Fiduciary net position, beginning	1,720,881	1,730,500
Fiduciary net position, ending (b)	$ 2,039,229	$ 1,720,881
Net pension liability (asset), ending = (a) - (b)	$ 303,205	$ 467,523
Fiduciary net position as a % of total pension liability (asset)	87.06%	78.64%
Covered employee payroll	$ 795,762	$ 814,214
Net pension liability (asset) as a % of covered employee payroll	38.10%	57.42%

* Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

2018	2017	2016	2015
$ 96,237	$ 88,894	$ 83,797	$ 68,572
128,604	119,718	107,368	105,293
-	29,035	-	-
21,460	(12,737)	58,568	(96,759)
-	-	17,464	-
(67,412)	(68,375)	(49,667)	(60,478)
178,889	156,535	217,530	16,628
1,890,834	1,734,299	1,516,769	1,500,141
$ 2,069,723	$ 1,890,834	$ 1,734,299	$ 1,516,769
$ 79,033	$ 67,389	$ 62,066	$ 54,156
45,900	43,328	40,255	34,921
203,822	90,465	1,897	68,051
(67,412)	(68,375)	(49,667)	(60,478)
(1,056)	(1,022)	(1,155)	(710)
(54)	(55)	(57)	(58)
260,233	131,730	53,339	95,882
1,470,267	1,338,537	1,285,198	1,189,316
$ 1,730,500	$ 1,470,267	$ 1,338,537	$ 1,285,198
$ 339,223	$ 420,567	$ 395,762	$ 231,571
83.61%	77.76%	77.18%	84.73%
$ 765,003	$ 722,131	$ 670,916	$ 582,010
44.34%	58.24%	58.99%	39.79%

CITY OF JOHNSON CITY, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(Unaudited)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Funded Ratio (a)/(b)	(d) Unfunded AAL (UAAL) (b) - (a)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (d)/(e)
12/31/2017	$ 1,730,499	$ 2,069,723	83.6%	$ 339,224	$ 765,003	44.3%
12/31/2018	1,720,881	2,188,404	78.6%	467,523	814,214	57.4%
12/31/2019	2,039,229	2,342,434	87.1%	303,205	795,762	38.1%

CITY OF JOHNSON CITY, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB ASSET/LIABILITY
AND RELATED RATIOS
LAST TEN YEARS*
(Unaudited)

	2020	2019	2018
Total OPEB Liability (Asset)			
Service cost	$ 2,228	$ 2,605	$ 2,142
Interest on total OPEB liability	1,264	1,115	1,036
Effect of plan changes	-	-	-
Difference between expected and actual experience	(2,351)	(306)	-
Effect of assumptions changes or inputs	7,508	(2,750)	2,936
Benefit payments	(80)	(81)	(77)
Net change in total OPEB liability (asset)	8,569	583	6,037
Total OPEB liability (asset), beginning	33,003	32,420	26,383
Total OPEB liability (asset), ending (a)	$ 41,572	$ 33,003	$ 32,420
Covered payroll	$ 795,762	$ 814,214	$ 765,003
Net OPEB liability (asset) as a % of covered payroll	5.22%	4.05%	4.24%

* Fiscal year 2018 was the first year of implementation, therefore only three years are shown.

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ATCHLEY & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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

To the Honorable Mayor and
Members of the City Council
City of Johnson City, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Johnson City, Texas (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 23, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses 2020-001 and 2020-002.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* and which are described in the accompanying schedule of findings and responses as items 2020-003.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Austin, Texas
September 23, 2021

Financial Statement Findings

Audit Finding: 2020-001

Type: Material Weakness, repeat finding

Criteria: Complete bank account reconciliations in a timely manner to include review and approval by a person other than the preparer, and provide bank reconciliations to the City Council for review and approval. In addition, not all of the bank accounts were incorporated into the financial reporting module. During fiscal year 2021, the City did outsource the bank reconciliation process to a third-party CPA, no action was taken based on the reconciliations the third-party CPA performed.

Condition: Currently, cash balances are not correctly presented and it is unknown to the completeness and appropriateness of transactions recorded.

Context: Cash balances were materially misstated and numerous transactions were not recording appropriately.

Effect or Potential Effect: Without bank reconciliations being performed, management does not have the ability to know if transactions were recorded and/or recorded properly.

Cause: Bank reconciliations were not performed.

Corrective Action Taken: Beginning October 1, 2021, City Staff commenced monthly bank reconciliations for all financial accounts. Bank reconciliations are completed by one staff member and approved by another staff member. City Staff contracted with a third-party CPA in FYE 2021 to complete FYE 2020 bank reconciliations for audit purposes, as those bank reconciliations were not completed. The current City Auditor was provided the third-party CPA's work product.

Audit Finding: 2020-002

Type: Material Weakness, repeat finding

Criteria: During the year, a different financial reporting module was used and was not reconciled to prior audits. Also in this module, not all the transactions of the City were entered, resulting in incomplete records.

Condition: During the audit, it was determined that net positions and fund balances were materially different than the prior year audit. Also certain transactions were not recorded in the system which created a scope limitation in performing the audit.

Context: Through inquiries of management it was determined that prior management of the City moved transactions to a different financial reporting module and when the City moved back to the current financial reporting module the beginning balances were not reconciled. During audit procedures, it was also determined that certain transactions were not entered into the system and thus created a scope limitation.

Effect or Potential Effect: The City's books and records are not complete and the City could be relying on incomplete information when making decisions.

Financial Statement Findings

Finding 2020-002 Continued

Cause: The financial reporting function did not have appropriate oversight.

Corrective Action Taken: Beginning October 1, 2021, City Staff utilized Fund Balance, a financial management and reporting module, exclusively. All financial transactions and bank reconciliations are entered into and reconciled against financial data within Fund Balance. Audit adjustments will be made on all existing assets, liabilities, and reserves/balances for all Funds within Fund Balance at the conclusion of the FYE 2020 audit.

Compliance Finding

Audit Finding: 2020-003

Type: Non-Compliance

Criteria: During the year, it was determined that some payroll transactions were not paid to the appropriate entity, recorded in the payroll function, or not recorded as an employee or employer transaction appropriately.

Condition: During the audit, it was determined that multiple years of payroll taxes were not submitted to the IRS, certain payments to employees were recorded outside of payroll which would have been payroll related, and employee deductions were not deducted from the employee account and paid by the City.

Context: Through inquiries of management it was determined that back payroll taxes were not remitted and through performing audit procedures around payroll it was determined that certain payroll transactions were not recorded through payroll and other transactions were not deducted from an employee's paycheck and were remitted by the City.

Effect or Potential Effect: The City is subject to back payroll taxes and could have exposure for additional payroll taxes based on the classification of payroll transactions.

Cause: The payroll function did not have the appropriately oversight.

Corrective Action Taken: Beginning October 1, 2021, all payroll, including all taxable benefits paid to or on behalf of employees, was processed through Fund Balance exclusively. In FYE 2021, the City entered into an agreement with the Internal Revenue Services (IRS) to pay all outstanding payroll liabilities through the issuance of General Obligation Refunding Bonds. Said Bonds were received on September 13, 2021, and remitted to the IRS the same day.

CITY OF JOHNSON CITY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2020

Prior Audit Findings

Audit Finding: 2017-001

Type: Material Weakness

Description: Record all transactions and balances in the Construction Bank Account and Escrow Account for funds received from TWDB.

Corrective Action Taken: Beginning October 1, 2021, City Staff utilized Fund Balance, a financial management and reporting module, exclusively. All financial transactions and bank reconciliations are entered into and reconciled against financial data within Fund Balance, including the Capital Replacement Fund (formerly the Construction / Escrow Account) which housed funds related to Texas Water Development Board capital improvement projects.

Status on Finding: This was still a finding during the 2020 audit.

Audit Finding: 2017-002

Type: Material Weakness

Description: Complete bank account reconciliations in a timely manner to include review and approval by a person other than the preparer, and provide bank reconciliations to the City Council for review and approval.

Corrective Action Taken: Beginning October 1, 2021, City Staff commenced monthly bank reconciliations for all financial accounts. Bank reconciliations are completed by one staff member and approved by another staff member.

Status on Finding: This was still a finding during the 2020 audit.

Audit Finding: 2017-003

Type: Material Weakness

Description: Adopt policies and procedures that require appropriate review and approval of invoices to be paid, including retention of records according to applicable statutory requirements (i.e. records retention).

Corrective Action Taken: Beginning October 1, 2021, all Municipal purchases are paid by check or purchasing card. Upon receipt of invoice / statement, City Staff prepare a Direct Order for Check Preparation (DO), including purchases made on a purchasing card, and attach related invoices / statements / background documents. Dos are presented to the Chief Administrative Officer for approval. Upon approval, the City Secretary prepares and prints checks within Fund Balance's Accounts Payable Module. All checks require two (2) signatures.

The City Council adopted Ordinance No. 20-1101, an Ordinance establishing a Records Management Program for the City of Johnson City on November 10, 2020.

Status on Finding: This was still a finding during the 2020 audit.

CITY OF JOHNSON CITY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2020

Prior Audit Findings

Audit Finding:	2017-004
Type:	Material Weakness
Description:	Adopt a policy regarding the filing and safeguarding of all source documents, which policy is consistent with statutory records retention requirements.
Corrective Action Taken:	The City Council adopted Ordinance No. 20-1101, an Ordinance establishing a Records Management Program for the City of Johnson City on November 10, 2020.
Status on Finding:	We believe this finding has been resolved during fiscal year 2021.

Audit Finding:	2017-005
Type:	Material Weakness
Description:	Adopt a policy requiring appropriate review and approval of all disbursements, including more than one signature above a predetermined amount.
Corrective Action Taken:	Beginning October 1, 2021, all Municipal purchases are paid by check or purchasing card. Upon receipt of invoice / statement, City Staff prepare a Direct Order for Check Preparation (DO), including purchases made on a purchasing card, and attach related invoices / statements / background documents. Dos are presented to the Chief Administrative Officer for approval. Upon approval, the City Secretary prepares and prints checks within Fund Balance's Accounts Payable Module. All checks require two (2) signatures.
Status on Finding:	We believe this finding has been resolved during fiscal year 2021.

Audit Finding:	2017-006
Type:	Material Weakness
Description:	Require more than one signature to authorize and issue disbursements from the City's TexPool Investment account.
Corrective Action Taken:	City TexPool accounts are "hard-coded" to only receive and transfer funds to City bank depository accounts, meaning that financial wire and ACH transactions can only be sent between TexPool and the City's bank depository. Adding a new "hard-coded" bank account requires two (2) signatures. Financial transactions from TexPool to a "non- hard-coded" account at another bank depository require two (2) signatures.
Status on Finding:	We believe this finding has been resolved during fiscal year 2021.