

CITY OF MARLIN, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2021

CITY OF MARLIN, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2021

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YWRD, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA
Joyce Reeve, CPA | Brandon Diviney, CPA | Bryan Thomas, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Marlin, Texas

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 Marlin, Texas, as of and for the year ended September 30, 2021, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, net pension liability and total OPEB liability information on pages 4-11 and 52-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marlin, Texas' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements.

Honorable Mayor and City Council
City of Marlin, Texas
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The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

YWRD, P.C.

YWRD, P.C.
Certified Public Accountants

Waxahachie, Texas
August 11, 2022

CITY OF MARLIN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Marlin, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$17,989,198 (net position). Of this amount, \$4,148,301 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,699,027.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$5,090,124, an increase of \$813,863 in comparison with the prior year. Approximately 19% of this amount (\$968,440) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$968,440, or approximately 27.1% of the total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

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

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

The government-wide financial statements can be found on pages 12-13 of this report.

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

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

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

The City maintains eleven individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Certificates of Obligation Series 2019A Fund, which are considered to be major funds. Data from the other nine governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility fund since it is considered to be a major fund of the City. Data from the other enterprise fund is combined into a single aggregated presentation.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-50 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the General fund's Budget Comparison Schedule and the City's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 52-55 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budget and pensions. Combining and individual fund statements and schedules can be found on pages 57-62 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$17,989,198, at the close of the most recent fiscal year.

CITY OF MARLIN, TEXAS' NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|--------------|-----------------------------|---------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current and other assets | \$ 6,743,637 | \$ 6,305,095 | \$ 8,775,157 | \$ 8,519,066 | \$ 15,518,794 | \$ 14,824,161 |
| Capital assets | 1,461,420 | 1,405,945 | 23,762,400 | 24,196,941 | 25,223,820 | 25,602,886 |
| Total assets | 8,205,057 | 7,711,040 | 32,537,557 | 32,716,007 | 40,742,614 | 40,427,047 |
| Total deferred outflows of resources | 124,514 | 97,791 | 77,567 | 60,315 | 202,081 | 158,106 |
| Long term liabilities | 3,608,771 | 3,931,155 | 13,917,077 | 14,715,292 | 17,525,848 | 18,646,447 |
| Other liabilities | 1,005,142 | 1,279,205 | 4,156,088 | 4,136,733 | 5,161,230 | 5,415,938 |
| Total liabilities | 4,613,913 | 5,210,360 | 18,073,165 | 18,852,025 | 22,687,078 | 24,062,385 |
| Total deferred inflows of resources | 165,330 | 143,651 | 103,089 | 88,946 | 268,419 | 232,597 |
| Net position: | | | | | | |
| Net investment in capital assets | 952,875 | 721,321 | 11,171,504 | 10,945,900 | 12,124,379 | 11,667,221 |
| Restricted | 1,150,784 | 560,803 | 565,734 | 154,562 | 1,716,518 | 715,365 |
| Unrestricted | 1,446,669 | 1,172,696 | 2,701,632 | 2,734,889 | 4,148,301 | 3,907,585 |
| Total net position | \$ 3,550,328 | \$ 2,454,820 | \$ 14,438,870 | \$ 13,835,351 | \$ 17,989,198 | \$ 16,290,171 |

Certain reclassifications have been made to prior year data to conform with current year presentation.

By far, the largest portion of the City's net position (67.4%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (9.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,148,301 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

The City's net investment in capital assets increased as a result of capital asset additions exceeding the scheduled principal payments and current year's depreciation.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position increased \$1,699,027 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF MARLIN, TEXAS' CHANGES IN NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 850,715 | \$ 770,249 | \$ 3,355,638 | \$ 3,783,626 | \$ 4,206,353 | \$ 4,553,875 |
| Operating grants and contributions | 824,010 | 257,797 | - | - | 824,010 | 257,797 |
| Capital grants and contributions | 3,841 | 403,837 | 91,724 | 257,163 | 95,565 | 661,000 |
| General revenues: | | | | | | |
| Property taxes | 1,505,897 | 1,474,345 | - | - | 1,505,897 | 1,474,345 |
| Sales taxes | 911,222 | 846,869 | - | - | 911,222 | 846,869 |
| Franchise taxes | 179,288 | 193,669 | - | - | 179,288 | 193,669 |
| Hotel occupancy taxes | 43,648 | 35,682 | - | - | 43,648 | 35,682 |
| Alcoholic beverage tax | 3,273 | 3,592 | - | - | 3,273 | 3,592 |
| Investment earnings | 3,118 | 14,105 | 841 | 25,410 | 3,959 | 39,515 |
| Miscellaneous | 164,954 | 78,468 | - | - | 164,954 | 78,468 |
| Total revenues | <u>4,489,966</u> | <u>4,078,613</u> | <u>3,448,203</u> | <u>4,066,199</u> | <u>7,938,169</u> | <u>8,144,812</u> |
| Expenses: | | | | | | |
| General government | 524,606 | 515,144 | - | - | 524,606 | 515,144 |
| Public safety | 1,596,943 | 1,595,444 | - | - | 1,596,943 | 1,595,444 |
| Streets | 496,927 | 430,072 | - | - | 496,927 | 430,072 |
| Sanitation | 601,854 | 612,664 | - | - | 601,854 | 612,664 |
| Cultural and recreational | 147,659 | 64,226 | - | - | 147,659 | 64,226 |
| Interest on long-term debt | 26,469 | 166,549 | - | - | 26,469 | 166,549 |
| Utility | - | - | 2,844,684 | 3,097,593 | 2,844,684 | 3,097,593 |
| Total expenses | <u>3,394,458</u> | <u>3,384,099</u> | <u>2,844,684</u> | <u>3,097,593</u> | <u>6,239,142</u> | <u>6,481,692</u> |
| Change in net position before transfers | 1,095,508 | 694,514 | 603,519 | 968,606 | 1,699,027 | 1,663,120 |
| Transfers | - | (10,455) | - | 10,455 | - | - |
| Change in net position | <u>1,095,508</u> | <u>684,059</u> | <u>603,519</u> | <u>979,061</u> | <u>1,699,027</u> | <u>1,663,120</u> |
| Net position - beginning | <u>2,454,820</u> | <u>1,770,761</u> | <u>13,835,351</u> | <u>12,856,290</u> | <u>16,290,171</u> | <u>14,627,051</u> |
| Net position - ending | <u>\$ 3,550,328</u> | <u>\$ 2,454,820</u> | <u>\$ 14,438,870</u> | <u>\$ 13,835,351</u> | <u>\$ 17,989,198</u> | <u>\$ 16,290,171</u> |

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$1,095,508 from the prior fiscal year for an ending balance of \$3,550,328. Increases in operating grants and contributions of \$566,213 were offset by a decrease in capital grants of \$399,996. This increase in operating grants were primarily driven by the City's receipt of American Rescue Plan Act funds. Governmental expenses increased by \$10,359.

Business-type Activities. For the City's business-type activities, the current fiscal year resulted in a net increase in net position to an ending balance of \$14,438,870. The total increase in net position for business-type activities (utility operations) was \$603,519 from the prior fiscal year. Charges for services decreased \$427,988 (11%). This decrease was primary driven by a decrease in consumption. Total expenses decreased \$252,909 (8%) in the current fiscal year.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2021, the City's governmental funds reported combined fund balances of \$5,090,124, an increase of \$813,863 in comparison with the prior year. Approximately 19.0% of this amount (\$968,440) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance (\$4,121,684) is restricted by legal requirements.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$968,440, while total fund balance increased to \$1,670,630. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 27.1 percent of total general fund expenditures, while total fund balance represents approximately 46.7 percent of that same amount.

The fund balance of the City's general fund increased \$916,750 during the current fiscal year.

The certificates of obligation series 2019A fund, a major governmental fund, had an decrease in fund balance during the current fiscal year of \$4,946 to bring the year end fund balance to \$2,889,375.

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

Unrestricted net position of the Utility fund at the end of the year amounted to \$2,626,384. Net position increased in 2021 by \$563,279.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, the City decreased the original estimated revenues by \$1,705 and increased expenditures by \$13,205.

Final budget compared to actual results. General fund actual revenues of \$4,545,878 exceeded budgeted revenues of \$3,361,995 by \$1,183,883. Following are the main components that experienced an increase or decrease of actual revenue compared to budgeted revenue:

- The \$194,255 (12%) decrease in property tax resulted primarily from lower than expected property tax collection rates.
- The \$405,875 (85%) increase in sales tax is the result of a less severe impact of the Coronavirus pandemic on the City's economic activity than originally forecasted.
- The \$62,519 (25%) decrease in fines and forfeitures was the result of less than expected citations issued during the year.
- The \$981,822 increase in intergovernmental revenues was the result of the receipt of American Rescue Plan Act grant funds.

Actual general fund expenditures of \$3,472,490 exceeded budgeted expenditures of \$3,375,607. This \$96,883 negative variance in expenditures was funded by excess revenues.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$25,223,820 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. The total decrease in capital assets for the current fiscal year was approximately 1.5%.

**City of Marlin, Texas' Capital Assets
(net of depreciation)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 88,541 | \$ 88,541 | \$ 2,432,711 | \$ 2,432,711 | \$ 2,521,252 | \$ 2,521,252 |
| Construction in progress | 413,976 | 382,411 | 371,032 | 269,897 | 785,008 | 652,308 |
| Buildings | 76,236 | - | 59,991 | 63,520 | 136,227 | 63,520 |
| Improvements | - | - | 20,848,656 | 21,370,296 | 20,848,656 | 21,370,296 |
| Machinery and equipment | 398,085 | 416,856 | 50,010 | 60,517 | 448,095 | 477,373 |
| Infrastructure | 484,582 | 518,137 | - | - | 484,582 | 518,137 |
| Total | \$ 1,461,420 | \$ 1,405,945 | \$ 23,762,400 | \$ 24,196,941 | \$ 25,223,820 | \$ 25,602,886 |

Additional information on the City's capital assets can be found in note 2.E on pages 33-34 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$16,785,000, which is backed by the full faith and credit of the government.

City of Marlin, Texas' Outstanding Debt

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Certificates of obligation | \$ 2,995,000 | \$ 3,055,000 | \$ 13,790,000 | \$ 14,500,000 | \$ 16,785,000 | \$ 17,555,000 |
| Notes | 219,872 | 245,000 | - | - | 219,872 | 245,000 |
| Capital leases | 190,297 | 275,416 | - | - | 190,297 | 275,416 |
| Total | \$ 3,214,872 | \$ 3,300,000 | \$ 13,790,000 | \$ 14,500,000 | \$ 17,004,872 | \$ 17,800,000 |

Certain reclassifications have been made to prior year data to conform with current year presentation.

Additional information on the City of Marlin long term-debt can be found in note 2.J on pages 36-40 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2021-22 Budget, General Fund revenues are budgeted to increase by 12.67% from the 2020-21 budget year with general property taxes making up about 43.50% of general fund budgeted revenues.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Secretary, 101 Fortune Street, Marlin, Texas 76661.

CITY OF MARLIN, TEXAS
STATEMENT OF NET POSITION
September 30, 2021

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,796,754 | \$ 426,691 | \$ 2,223,445 |
| Receivables (net of allowance for uncollectibles) | 889,164 | 503,061 | 1,392,225 |
| Intergovernmental receivable | 25,500 | - | 25,500 |
| Internal balances | 326,581 | (326,581) | - |
| Inventories | - | 93,961 | 93,961 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 1,731,343 | 1,731,343 |
| Cash held in escrow | 3,705,638 | 6,346,682 | 10,052,320 |
| Capital assets: | | | |
| Non-depreciable | 502,517 | 2,803,743 | 3,306,260 |
| Depreciable (net of accumulated depreciation) | 958,903 | 20,958,657 | 21,917,560 |
| Total Assets | <u>8,205,057</u> | <u>32,537,557</u> | <u>40,742,614</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources related to pension | 98,634 | 61,456 | 160,090 |
| Deferred outflows of resources related to OPEB | 25,880 | 16,111 | 41,991 |
| Total Deferred Outflows of Resources | <u>124,514</u> | <u>77,567</u> | <u>202,081</u> |
| LIABILITIES | | | |
| Accounts payable | 144,942 | 286,567 | 431,509 |
| Accrued payroll payable | 27,994 | 15,896 | 43,890 |
| Accrued interest payable | 4,595 | 27,828 | 32,423 |
| Customer deposits payable | - | 174,684 | 174,684 |
| Unearned revenues | 827,611 | 3,651,113 | 4,478,724 |
| Noncurrent liabilities: | | | |
| Due within one year | 309,430 | 734,848 | 1,044,278 |
| Due in more than one year | 3,299,341 | 13,182,229 | 16,481,570 |
| Total Liabilities | <u>4,613,913</u> | <u>18,073,165</u> | <u>22,687,078</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources related to pension | 158,236 | 98,695 | 256,931 |
| Deferred inflows of resources related to OPEB | 7,094 | 4,394 | 11,488 |
| Total Deferred Inflows of Resources | <u>165,330</u> | <u>103,089</u> | <u>268,419</u> |
| NET POSITION | | | |
| Net investment in capital assets | 952,875 | 11,171,504 | 12,124,379 |
| Restricted for: | | | |
| Grant | 691,447 | | 691,447 |
| Debt service | 122,560 | 408,725 | 531,285 |
| Infrastructure improvements | - | 157,009 | 157,009 |
| Public safety | 42,377 | - | 42,377 |
| Cultural and recreational | 294,400 | - | 294,400 |
| Unrestricted | 1,446,669 | 2,701,632 | 4,148,301 |
| Total Net Position | <u>\$ 3,550,328</u> | <u>\$ 14,438,870</u> | <u>\$ 17,989,198</u> |

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

CITY OF MARLIN, TEXAS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2021

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|------------------------------------|------------------|----------------------|------------------------------------|----------------------------------|---|---------------------|---------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business Activities | Total |
| Function/Program Activities | | | | | | | |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 524,606 | \$ 32,213 | \$ 691,747 | \$ - | \$ 199,354 | \$ - | \$ 199,354 |
| Public safety | 1,596,943 | 210,809 | 131,263 | - | (1,254,871) | - | (1,254,871) |
| Streets | 496,927 | - | - | 3,841 | (493,086) | - | (493,086) |
| Sanitation | 601,854 | 596,775 | - | - | (5,079) | - | (5,079) |
| Cultural and recreational | 147,659 | 10,918 | 1,000 | - | (135,741) | - | (135,741) |
| Interest on long-term debt | 26,469 | - | - | - | (26,469) | - | (26,469) |
| Total governmental activities | 3,394,458 | 850,715 | 824,010 | 3,841 | (1,715,892) | - | (1,715,892) |
| Business-type activities: | | | | | | | |
| Utility | 2,844,684 | 3,355,638 | - | 91,724 | - | 602,678 | 602,678 |
| Total business-type activities | 2,844,684 | 3,355,638 | - | 91,724 | - | 602,678 | 602,678 |
| Total primary government | \$ 6,239,142 | \$ 4,206,353 | \$ 824,010 | \$ 95,565 | (1,715,892) | 602,678 | (1,113,214) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 1,505,897 | - | 1,505,897 |
| Sales taxes | | | | | 911,222 | - | 911,222 |
| Franchise taxes | | | | | 179,288 | - | 179,288 |
| Hotel occupancy taxes | | | | | 43,648 | - | 43,648 |
| Alcoholic beverage taxes | | | | | 3,273 | - | 3,273 |
| Investment earnings | | | | | 3,118 | 841 | 3,959 |
| Miscellaneous | | | | | 164,954 | - | 164,954 |
| Total general revenues | | | | | 2,811,400 | 841 | 2,812,241 |
| Change in net position | | | | | 1,095,508 | 603,519 | 1,699,027 |
| Net position - beginning | | | | | 2,454,820 | 13,835,351 | 16,290,171 |
| Net position - ending | | | | | \$ 3,550,328 | \$ 14,438,870 | \$ 17,989,198 |

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

CITY OF MARLIN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2021

| | <u>General</u> | <u>Certificates of Obligation Series 2019A</u> | <u>Total Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|---|--------------------|--|-------------------------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,195,061 | \$ 76,261 | \$ 525,432 | \$ 1,796,754 |
| Cash in escrow | - | 3,705,638 | - | 3,705,638 |
| Receivables (net of allowance for uncollectibles) | 882,809 | - | 6,355 | 889,164 |
| Due from other governments | 25,500 | - | - | 25,500 |
| Due from other funds | 392,394 | - | 80 | 392,474 |
| Total assets | <u>\$2,495,764</u> | <u>\$ 3,781,899</u> | <u>\$ 531,867</u> | <u>\$ 6,809,530</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 144,942 | \$ - | \$ - | \$ 144,942 |
| Accrued payroll payable | 27,226 | - | 768 | 27,994 |
| Due to other funds | - | 64,913 | 980 | 65,893 |
| Unearned revenue | - | 827,611 | - | 827,611 |
| Total liabilities | <u>172,168</u> | <u>892,524</u> | <u>1,748</u> | <u>1,066,440</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property tax | 627,466 | - | - | 627,466 |
| Unavailable revenue - intergovernmental | 25,500 | - | - | 25,500 |
| Total deferred inflows of resources | <u>652,966</u> | <u>-</u> | <u>-</u> | <u>652,966</u> |
| FUND BALANCES | | | | |
| Restricted: | | | | |
| Capital projects | - | 2,889,375 | 81,525 | 2,970,900 |
| Grant | 691,447 | - | - | 691,447 |
| Debt service | - | - | 122,560 | 122,560 |
| Public safety | 10,743 | - | 31,634 | 42,377 |
| Cultural and recreational | - | - | 294,400 | 294,400 |
| Unassigned | 968,440 | - | - | 968,440 |
| Total fund balances | <u>1,670,630</u> | <u>2,889,375</u> | <u>530,119</u> | <u>5,090,124</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$2,495,764</u> | <u>\$ 3,781,899</u> | <u>\$ 531,867</u> | <u>\$ 6,809,530</u> |

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

CITY OF MARLIN, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2021

Amounts reported for governmental activities in the statement of net position (page 12) are different

| | | |
|---|--------------------|----------------------------|
| Total fund balances - governmental funds (page 14) | \$ | 5,090,124 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 1,461,420 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. | | 652,966 |
| Deferred outflows of resources are not reported in the governmental funds: | | |
| Deferred outflows of resources related to pension | \$ 98,634 | |
| Deferred outflows of resources related to OPEB | <u>25,880</u> | \$ 124,514 |
| Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet. | | (4,595) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Due within one year | (309,430) | |
| Due in more than one year | <u>(3,299,341)</u> | (3,608,771) |
| Deferred inflows of resources are not reported in the governmental funds: | | |
| Deferred inflows of resources related to pension | (158,236) | |
| Deferred inflows of resources related to OPEB | <u>(7,094)</u> | <u>(165,330)</u> |
| Net position of governmental activities (page 12) | | <u><u>\$ 3,550,328</u></u> |

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

CITY OF MARLIN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2021

| | General | Certificates of Obligation Series 2019A | Total Nonmajor Funds | Total Governmental Funds |
|--|---------------------|--|-------------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 1,487,780 | \$ - | \$ - | \$ 1,487,780 |
| Sales taxes | 911,222 | - | - | 911,222 |
| Franchise taxes | 179,288 | - | - | 179,288 |
| Alcoholic beverage taxes | 3,273 | - | - | 3,273 |
| Hotel occupancy taxes | - | - | 43,648 | 43,648 |
| Licenses, permits and fees | 32,213 | - | - | 32,213 |
| Fines and forfeitures | 204,985 | - | 5,824 | 210,809 |
| Charges for current services | 10,918 | - | - | 10,918 |
| Sanitation | 596,775 | - | - | 596,775 |
| Investment earnings | 2,666 | 415 | 37 | 3,118 |
| Miscellaneous | 159,677 | - | 5,277 | 164,954 |
| Intergovernmental | 937,707 | 3,841 | 1,085 | 942,633 |
| Contributions and donations | 2,120 | - | - | 2,120 |
| Total revenues | <u>4,528,624</u> | <u>4,256</u> | <u>55,871</u> | <u>4,588,751</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 617,336 | - | - | 617,336 |
| Public safety | 1,618,713 | - | 22,541 | 1,641,254 |
| Streets | 562,651 | 7,629 | - | 570,280 |
| Sanitation | 601,854 | - | - | 601,854 |
| Cultural and recreational | 54,243 | - | 95,678 | 149,921 |
| Debt service: | | | | |
| Principal retirement | 105,621 | - | 140,000 | 245,621 |
| Interest and fiscal charges | 16,327 | - | 7,669 | 23,996 |
| Total expenditures | <u>3,576,745</u> | <u>7,629</u> | <u>265,888</u> | <u>3,850,262</u> |
| Excess (deficiency) of revenues over expenditures | <u>951,879</u> | <u>(3,373)</u> | <u>(210,017)</u> | <u>738,489</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Note proceeds | 75,374 | - | - | 75,374 |
| Transfers in | 323 | - | 112,349 | 112,672 |
| Transfers out | (110,826) | (1,573) | (273) | (112,672) |
| Total other financing sources (uses) | <u>(35,129)</u> | <u>(1,573)</u> | <u>112,076</u> | <u>75,374</u> |
| Net change in fund balances | 916,750 | (4,946) | (97,941) | 813,863 |
| Fund balances-beginning | <u>753,880</u> | <u>2,894,321</u> | <u>628,060</u> | <u>4,276,261</u> |
| Fund balances-ending | <u>\$ 1,670,630</u> | <u>\$ 2,889,375</u> | <u>\$ 530,119</u> | <u>\$ 5,090,124</u> |

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

CITY OF MARLIN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2021

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

| | | |
|--|----|-----------|
| Net change in fund balance - total governmental funds (page 16) | \$ | 813,863 |
| Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period. | | 212,486 |
| Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. | | (157,011) |
| The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Bond principal retirement | \$ | 60,000 |
| Note principal retirement | | 100,502 |
| Note issued | | (75,374) |
| Capital lease principal retirement | | 85,119 |
| | | 170,247 |
| Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest. | | (2,473) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (98,785) |
| Pension and OPEB contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual pension and OPEB amounts. | | |
| Deferred outflows/inflows of resources related to pension | | (2,656) |
| Deferred outflows/inflows of resources related to OPEB | | 7,700 |
| | | 5,044 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | | |
| Compensated absences | | 1,839 |
| Net pension liability | | 168,233 |
| OPEB liability | | (17,935) |
| | | 152,137 |
| Change in net position of governmental activities (page 13) | \$ | 1,095,508 |

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

CITY OF MARLIN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2021

| | Business-type Activities - Enterprise Funds | | |
|--|--|---------------------------|---------------------------------------|
| | Utility | Nonmajor Funds | Total Enterprise Funds |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 351,443 | \$ 75,248 | \$ 426,691 |
| Restricted cash and cash equivalents | 178,480 | - | 178,480 |
| Receivables (net of allowance for uncollectibles) | 503,061 | - | 503,061 |
| Due from other funds | 1,310,548 | - | 1,310,548 |
| Inventory | 93,961 | - | 93,961 |
| Total current assets | <u>2,437,493</u> | <u>75,248</u> | <u>2,512,741</u> |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | 1,413,736 | 139,127 | 1,552,863 |
| Cash held in escrow | 6,346,682 | - | 6,346,682 |
| Capital assets (net, where applicable of accumulated depreciation) | 21,350,502 | 2,411,898 | 23,762,400 |
| Total noncurrent assets | <u>29,110,920</u> | <u>2,551,025</u> | <u>31,661,945</u> |
| Total assets | <u>31,548,413</u> | <u>2,626,273</u> | <u>34,174,686</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources related to pension | 61,456 | - | 61,456 |
| Deferred outflows of resources related to OPEB | 16,111 | - | 16,111 |
| Total deferred outflows of resources | <u>77,567</u> | <u>-</u> | <u>77,567</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 108,087 | - | 108,087 |
| Accrued payroll payable | 15,896 | - | 15,896 |
| Due to other funds | 326,581 | 1,310,548 | 1,637,129 |
| Compensated absences | 24,848 | - | 24,848 |
| Customer deposits payable | 174,684 | - | 174,684 |
| Bonds payable | 591,667 | - | 591,667 |
| Accrued interest payable | 9,692 | - | 9,692 |
| Unearned revenue | 3,651,113 | - | 3,651,113 |
| Total current liabilities | <u>4,902,568</u> | <u>1,310,548</u> | <u>6,213,116</u> |
| Current liabilities payable from restricted assets: | | | |
| Accounts payable | 178,480 | - | 178,480 |
| Bonds payable | 118,333 | - | 118,333 |
| Accrued interest | 18,136 | - | 18,136 |
| Total current liabilities payable from restricted assets | <u>314,949</u> | <u>-</u> | <u>314,949</u> |
| Noncurrent liabilities: | | | |
| Bonds payable | 13,080,000 | - | 13,080,000 |
| Net pension liability | 10,158 | - | 10,158 |
| OPEB liability | 92,071 | - | 92,071 |
| Total noncurrent liabilities | <u>13,182,229</u> | <u>-</u> | <u>13,182,229</u> |
| Total liabilities | <u>18,399,746</u> | <u>1,310,548</u> | <u>19,710,294</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources related to pension | 98,695 | - | 98,695 |
| Deferred inflows of resources related to OPEB | 4,394 | - | 4,394 |
| Total deferred inflows of resources | <u>103,089</u> | <u>-</u> | <u>103,089</u> |
| NET POSITION | | | |
| Net investment in capital assets | 10,070,154 | 1,101,350 | 11,171,504 |
| Restricted for infrastructure improvements | 17,882 | 139,127 | 157,009 |
| Restricted for debt service | 408,725 | - | 408,725 |
| Unrestricted | 2,626,384 | 75,248 | 2,701,632 |
| Total net position | <u>\$ 13,123,145</u> | <u>\$ 1,315,725</u> | <u>\$ 14,438,870</u> |

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

CITY OF MARLIN, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2021

| | Business-type Activities - Enterprise Funds | | |
|---|--|-------------------------------------|----------------------|
| | Utility | Total Nonmajor Funds | Total |
| OPERATING REVENUES | | | |
| Water services | \$ 2,269,676 | \$ - | \$ 2,269,676 |
| Waste water services | 909,693 | - | 909,693 |
| Penalties | 67,053 | - | 67,053 |
| Tap fees | 13,100 | - | 13,100 |
| Miscellaneous | 49,089 | 47,027 | 96,116 |
| Total operating revenues | <u>3,308,611</u> | <u>47,027</u> | <u>3,355,638</u> |
| OPERATING EXPENSES | | | |
| Water billing | 235,492 | - | 235,492 |
| Water plant | 1,065,154 | - | 1,065,154 |
| Wastewater plant | 292,333 | 6,835 | 299,168 |
| Public works | 592,437 | - | 592,437 |
| Depreciation and amortization | 535,676 | - | 535,676 |
| Total operating expenses | <u>2,721,092</u> | <u>6,835</u> | <u>2,727,927</u> |
| Operating income | <u>587,519</u> | <u>40,192</u> | <u>627,711</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest on investments | 793 | 48 | 841 |
| Interest and paying agent fees | (116,757) | - | (116,757) |
| Total nonoperating revenues (expenses) | <u>(115,964)</u> | <u>48</u> | <u>(115,916)</u> |
| Income before capital contributions | 471,555 | 40,240 | 511,795 |
| Capital contributions | <u>91,724</u> | <u>-</u> | <u>91,724</u> |
| Change in net position | 563,279 | 40,240 | 603,519 |
| Net position-beginning | <u>12,559,866</u> | <u>1,275,485</u> | <u>13,835,351</u> |
| Net position-ending | <u>\$ 13,123,145</u> | <u>\$ 1,315,725</u> | <u>\$ 14,438,870</u> |

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

CITY OF MARLIN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2021

| | Business-type Activities - Enterprise Funds | | |
|---|--|-------------------------------------|---------------------|
| | Utility | Total Nonmajor Funds | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 3,324,067 | \$ 47,027 | \$ 3,371,094 |
| Payments to suppliers | (1,102,240) | (11,702) | (1,113,942) |
| Payments to employees | (1,159,538) | - | (1,159,538) |
| Net cash provided by (used for) operating activities | <u>1,062,289</u> | <u>35,325</u> | <u>1,097,614</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Advances to other funds | (23,936) | - | (23,936) |
| Net cash provided by (used for) noncapital financing activities | <u>(23,936)</u> | <u>-</u> | <u>(23,936)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Capital contributions | 44,667 | - | 44,667 |
| Acquisition and construction of capital assets | (22,648) | - | (22,648) |
| Principal paid on capital debt | (710,000) | - | (710,000) |
| Interest paid on capital debt | (116,757) | - | (116,757) |
| Net cash provided by (used for) capital and related financing activities | <u>(804,738)</u> | <u>-</u> | <u>(804,738)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest on investments | 793 | 48 | 841 |
| Net cash provided by investing activities | <u>793</u> | <u>48</u> | <u>841</u> |
| Net change in cash and cash equivalents | 234,408 | 35,373 | 269,781 |
| Cash and cash equivalents October 1 (including \$816,204 reported in restricted accounts) | <u>1,709,251</u> | <u>179,002</u> | <u>1,888,253</u> |
| Cash and cash equivalents September 30 (including \$1,731,343 reported in restricted accounts) | <u>\$ 1,943,659</u> | <u>\$ 214,375</u> | <u>\$ 2,158,034</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ 587,519 | \$ 40,192 | \$ 627,711 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation and amortization | 535,676 | - | 535,676 |
| (Increase) decrease in accounts receivable | 2,853 | - | 2,853 |
| (Increase) decrease in inventory | (9,895) | - | (9,895) |
| (Increase) decrease in pension related deferred outflows | (11,168) | - | (11,168) |
| (Increase) decrease in OPEB related deferred outflows | (6,084) | - | (6,084) |
| Increase (decrease) in accounts payable | 53,256 | (4,867) | 48,389 |
| Increase (decrease) in accrued payroll payable | (28,399) | - | (28,399) |
| Increase (decrease) in compensated absences | 3,431 | - | 3,431 |
| Increase (decrease) in customer deposits | 12,603 | - | 12,603 |
| Increase (decrease) in pension liability | (103,650) | - | (103,650) |
| Increase (decrease) in OPEB liability | 12,004 | - | 12,004 |
| Increase (decrease) in pension related deferred inflows | 12,931 | - | 12,931 |
| Increase (decrease) in OPEB related deferred inflows | 1,212 | - | 1,212 |
| Total adjustments | <u>474,770</u> | <u>(4,867)</u> | <u>469,903</u> |
| Net cash provided by operating activities | <u>\$ 1,062,289</u> | <u>\$ 35,325</u> | <u>\$ 1,097,614</u> |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | | |
| Capital assets purchased with accounts payable | <u>\$ 101,135</u> | <u>\$ -</u> | <u>\$ 101,135</u> |

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

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenue, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting entity

The City of Marlin, Texas (the "City") was incorporated in 1866, and operates under a general law form of government. The City applies the criteria set forth in GASB Statement No. 61, The Financial Reporting Entity, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected official's accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The City presently has no component units included within its reporting entity.

C. Basis of presentation - government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility operations and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation - fund financial statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category--governmental and proprietary--are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The *Certificates of Obligation, Series 2019A* fund is used to account for resources designated for the following general related projects: drainage improvements. Sources for funds are proceeds from the sale of Certificates of Obligation bonds.

The City reports the following major proprietary fund:

The *utility fund* accounts for the activities of the water and wastewater systems.

During the course of the operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation - fund financial statements (continued)

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

E. Measurement focus and basis of accounting

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, alcoholic beverage taxes, hotel-motel taxes, licenses and permits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool.

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool. In accordance with state law, TexPool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

The State Comptroller of Public Accounts oversees TexPool. Federated Investors is the full service provider to the pools managing the assets, providing participant services, and arranging for all custody and other functions in support of the pools operations under a contract with the Comptroller.

TexPool is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pools seek to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool, like its participants, is governed by the Texas Public Funds Investment Act, and is in full compliance with the Act.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

3. Restricted assets

Certain proceeds of the City's enterprise fund are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "Brushy Creek reservoir" account is used to report resources set aside for future infrastructure improvements.

4. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method and consistent of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year.

As the government constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Capital asset classes</u> | <u>Lives</u> |
|-------------------------------------|---------------------|
| Buildings | 25-50 |
| Improvements | 20-30 |
| Machinery and equipment | 5-15 |
| Infrastructure | 30 |

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources related to changes in actuarial assumptions of the City's OPEB plan, and (2) a deferred outflow of resources for contributions made to the City's defined benefit pension plan and OPEB plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year. Deferred outflows for changes in actuarial assumptions is attributed to OPEB expense over a total of 4.68 years. Deferred outflows for pension and OPEB contributions will be recognized in the subsequent fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for (1) the difference between expected and actual experience data used by the actuary for the defined benefit pension plan and OPEB plan, (2) a deferred inflow of resources related to changes in actuarial assumptions of the City's defined benefit pension plan and (3) the differences between projected and actual investment earnings for the defined benefit pension plan. Deferred inflows of resources for the difference between expected and actual experience data is attributed to pension expense over a total of 1.98 years, and it is attributed to OPEB expense over a total of 4.68 years. Deferred inflows of resources for changes in actuarial assumptions is attributed to pension expense over a total of 1.19 years. Deferred inflows of resources for the differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes and intergovernmental revenue are reported in the governmental funds balance sheet.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

7. Long-term obligations

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

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

8. Net position flow assumption

Net position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position —This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

9. Fund balance flow assumption

The governmental fund financials present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. City council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance.

Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned fund balance—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

Sometimes the city will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as program revenues include 1) changes to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Falls County Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Falls County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time, substantially all property taxes are collected.

3. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

4. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund is charges to customers for sales and services. Operating expenses for the utility fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenues and expenditures/expenses (continued)

5. Pensions and Other Postemployment Benefit (OPEB)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 75 requires recognition of the Total OPEB Liability (TOL), deferred (inflows)/outflows of resources, and total OPEB expense on the face of the employer's financial statements. The TOL is calculated by the System's actuary in accordance with the provisions of GASB 75. The OPEB expense and deferred (inflows)/outflows of resources related to OPEB, which are required to be reported by an employer, primarily result from changes in the components of the TOL. Most changes in the TOL will be included in OPEB expense in the period of the change. For example, changes in the TOL resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in OPEB expense immediately. Changes in the TOL that have not been included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB.

H. Budgetary information

1. Excess of expenditures over appropriations

The general fund expenditures exceeded appropriations by \$96,883. This excess was funded by excess revenues and fund balance.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

Custodial credit risk- deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2021. At year end the bank balance of the City's deposits was \$4,191,662. Of the bank balance, \$304,114 was covered by federal depository insurance and the remaining balance, \$3,887,548, was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping department of the Federal Reserve Bank, which acts as the pledging bank's agent and had a fair value of approximately \$3,963,000.

B. Investments

Public funds of the City may be invested in 1) obligations of the United States of America, its agencies and instrumentalities; 2) certificates of deposit; 3) fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities; 4) money market mutual funds; and 5) local government investment pools.

The State Treasurer's Investment Pool (TexPool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note 1.F.2, Investments, for a discussion of how the shares in the Pool are valued. The Pool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

| Investment Type | Fair Value |
|------------------------|-------------------|
| TexPool | \$ 95,975 |

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of September 30, 2021, the City's investment in TexPool was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of credit risk. The City's investment policy contains no limitations on the amount that can be invested in authorized local government investment pools.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

B. Investments (continued)

TexPool is considered a cash equivalent on the Government-wide Statement of Net Position and on the Balance Sheets of the Fund Financial Statements.

C. Restricted assets

The balances of the restricted asset accounts in the proprietary fund are as follows:

| | |
|-----------------------------|---------------------|
| Revenue bond construction | \$ 1,147,473 |
| Infrastructure improvements | 17,882 |
| Revenue bond debt service | 426,861 |
| Brushy Creek reservoir | 139,127 |
| | <u>\$ 1,592,216</u> |

D. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general and utility funds in the aggregate, including the applicable allowances for uncollectible accounts:

| Receivables: | <u>General</u> | <u>Other Governmental Funds</u> | <u>Utility</u> | <u>Total</u> |
|------------------------------------|-------------------|---|-------------------|---------------------|
| Taxes | \$ 895,761 | \$ 6,355 | \$ - | \$ 902,116 |
| Accounts | 38,403 | - | 638,075 | 676,478 |
| Gross receivables | 934,164 | 6,355 | 638,075 | 1,578,594 |
| Less: allowance for uncollectibles | (51,355) | - | (135,014) | (186,369) |
| Net total receivables | <u>\$ 882,809</u> | <u>\$ 6,355</u> | <u>\$ 503,061</u> | <u>\$ 1,392,225</u> |

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

E. Capital assets

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

Governmental activities:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 88,541 | \$ - | \$ - | \$ 88,541 |
| Construction in progress | 382,411 | 31,565 | - | 413,976 |
| Total capital assets not being depreciated | <u>470,952</u> | <u>31,565</u> | <u>-</u> | <u>502,517</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 2,594,171 | 77,748 | - | 2,671,919 |
| Machinery and equipment | 696,927 | 103,173 | - | 800,100 |
| Infrastructure | 867,956 | - | - | 867,956 |
| Totals capital assets being depreciated | <u>4,159,054</u> | <u>180,921</u> | <u>-</u> | <u>4,339,975</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (2,594,171) | (1,512) | - | (2,595,683) |
| Machinery and equipment | (280,071) | (121,944) | - | (402,015) |
| Infrastructure | (349,819) | (33,555) | - | (383,374) |
| Total accumulated depreciation | <u>(3,224,061)</u> | <u>(157,011)</u> | <u>-</u> | <u>(3,381,072)</u> |
| Total capital assets, being depreciated, net | <u>934,993</u> | <u>23,910</u> | <u>-</u> | <u>958,903</u> |
| Governmental activities capital assets, net | <u>\$ 1,405,945</u> | <u>\$ 55,475</u> | <u>\$ -</u> | <u>\$ 1,461,420</u> |

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

Governmental activities:

| | |
|--|-------------------|
| General government | \$ 9,416 |
| Public safety | 92,780 |
| Streets | 54,815 |
| Total depreciation expense - governmental activities | <u>\$ 157,011</u> |

The construction in progress consists of a building and drainage improvements.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

E. Capital assets (continued)

Business-type activities:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,432,711 | \$ - | \$ - | \$ 2,432,711 |
| Construction in progress | 269,897 | 101,135 | - | 371,032 |
| Total capital assets not being depreciated | <u>2,702,608</u> | <u>101,135</u> | <u>-</u> | <u>2,803,743</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 185,249 | - | - | 185,249 |
| Improvements | 38,886,469 | - | - | 38,886,469 |
| Machinery and equipment | 962,004 | - | - | 962,004 |
| Totals capital assets being depreciated | <u>40,033,722</u> | <u>-</u> | <u>-</u> | <u>40,033,722</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (121,729) | (3,529) | - | (125,258) |
| Improvements | (17,516,173) | (521,640) | - | (18,037,813) |
| Machinery and equipment | (901,487) | (10,507) | - | (911,994) |
| Total accumulated depreciation | <u>(18,539,389)</u> | <u>(535,676)</u> | <u>-</u> | <u>(19,075,065)</u> |
| Total capital assets, being depreciated, net | <u>21,494,333</u> | <u>(535,676)</u> | <u>-</u> | <u>20,958,657</u> |
| Business-type capital assets, net | <u>\$ 24,196,941</u> | <u>\$ (434,541)</u> | <u>\$ -</u> | <u>\$ 23,762,400</u> |

Depreciation expense was charged to the functions/programs of the business-type activities of the primary government as follows:

Business-type activities:

| | |
|---|-------------------|
| Utility | <u>\$ 535,676</u> |
| Total depreciation expense - business-type activities | <u>\$ 535,676</u> |

The construction in progress consists of water system improvements.

F. Construction commitments

The City has active construction projects for infrastructure improvements as of September 30, 2021. The projects include drainage and water system improvements. At year end, the City's commitments with contractors are as follows:

| <u>Project:</u> | <u>Spent-to-date</u> | <u>Commitment Remaining</u> |
|---------------------------|----------------------|---------------------------------|
| Drainage improvements | \$ 390,040 | \$ 470,188 |
| Water system improvements | 371,032 | 620,558 |
| | <u>\$ 761,072</u> | <u>\$ 1,090,746</u> |

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

F. Construction commitments (continued)

The drainage improvements are a commitment of the City's Certificates of Obligation Series 2019A fund. This project is being funded by bond proceeds and grant revenues.

The water system improvements are a commitment of the Utility fund. This project is being funded by bond proceeds and grant revenues.

G. Other significant commitments

Brazos River Authority. The City reserves raw water from BRA to make treated water available for its future needs. Under the agreement dated September 1, 2009, the City had a total of 1,200 acre-feet of water secured each year. In turn, the City is obligated to unconditionally pay the system rate as determined each year by BRA.

Actual expense for the year ended September 30, 2021 was \$89,509.

H. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

I. Lease obligations

Capital lease (as lessee)

The City is currently purchasing equipment under lease purchase agreements. The interest on the leases ranges from 3.99%-9.76%.

The assets acquired through capital leases are as follows:

| <u>Asset</u> | <u>Governmental Activities</u> |
|--------------------------------|------------------------------------|
| Machinery and equipment | \$ 408,231 |
| Less: accumulated depreciation | <u>(158,041)</u> |
| Total | <u><u>\$ 250,190</u></u> |

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

I. Lease obligations (continued)

Annual debt service requirements to maturity are as follows:

| Year Ending September 30 | Governmental Activities | |
|-------------------------------------|----------------------------------|------------------|
| | Capital Lease Obligations | |
| | Principal | Interest |
| 2022 | \$ 112,464 | \$ 12,626 |
| 2023 | 23,790 | 6,851 |
| 2024 | 25,883 | 4,758 |
| 2025 | 28,160 | 2,480 |
| | <u>\$ 190,297</u> | <u>\$ 26,715</u> |

J. Long-term liabilities

Certificates of Obligation

The City issues certificates of obligation to provide fund for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for governmental and business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government and are further secured by and payable from a pledge of the surplus net revenues derived from the operation of the City's water and sewer system. Certificates of obligation outstanding at September 30, 2021 are as follows:

Governmental Activities:

| <u>Series</u> | <u>Issue Amount</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Year-end Balances</u> |
|---------------|-------------------------|--------------------------|--------------------------|------------------------------|
| 2019A | \$ 2,330,000 | 7/1/2050 | 0.00% | \$ 2,995,000 |
| | | | | <u>\$ 2,995,000</u> |

Business-type Activities:

| <u>Series</u> | <u>Issue Amount</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Year-end Balances</u> |
|---------------|-------------------------|--------------------------|--------------------------|------------------------------|
| 2005A | \$ 2,255,000 | 2/15/2026 | 0.00% | \$ 890,000 |
| 2005B | 12,380,000 | 7/1/2036 | 0.00% | 6,560,000 |
| 2012 | 3,000,000 | 7/1/2042 | 2.00% | 2,600,000 |
| 2012A | 1,680,000 | 7/1/2042 | 2.00% | 1,455,000 |
| 2019B | 2,330,000 | 7/1/2050 | 0.00% | 2,285,000 |
| | | | | <u>\$ 13,790,000</u> |

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities (continued)

Notes payable

The City's notes payable currently outstanding and reported as a liabilities of the City's governmental activities are:

| Note Amount | Maturity Date | Interest Rate | Year-end Balances | Secured By |
|------------------------|--------------------------|--------------------------|------------------------------|-----------------------|
| \$ 545,000 | 06/01/23 | 2.60% | \$ 165,000 | Ad valorem taxes |
| 75,374 | 10/28/23 | 6.25% | 54,872 | Equipment |
| | | | <u>\$ 219,872</u> | |

Compensated Absences

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund and Utility Fund based on the assignment of an employee at termination.

Net Pension Liability

The net pension liability represents the liability for employees' for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pension plan's fiduciary net position.

Total OPEB Liability

The total OPEB liability represents the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 75.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities (continued)

Changes in long-term liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2021 are as follows:

| | Beginning Balance | Additions | Reductions | Ending Balances | Due Within One Year |
|--|----------------------|-------------------|---------------------|---------------------|------------------------|
| Governmental activities: | | | | | |
| Certificates of obligation | \$ 3,055,000 | \$ - | \$ (60,000) | \$ 2,995,000 | \$ 60,000 |
| Note payable | 245,000 | 75,374 | (100,502) | 219,872 | 97,426 |
| Capital lease | 275,416 | - | (85,119) | 190,297 | 112,464 |
| Compensated absences | 41,379 | 30,199 | (32,038) | 39,540 | 39,540 |
| Net pension liability | 184,535 | - | (168,233) | 16,302 | - |
| Total OPEB liability | 129,825 | 17,935 | - | 147,760 | - |
| Governmental activities Long-term liabilities | <u>\$ 3,931,155</u> | <u>\$ 123,508</u> | <u>\$ (445,892)</u> | <u>\$ 3,608,771</u> | <u>\$ 309,430</u> |

Certificates of obligation and notes issued for governmental activity purposes are liquidated by the debt service fund. Governmental capital leases, compensated absences, net pension liability and total OPEB liability will be liquidated by the general fund.

| | Beginning Balance | Additions | Reductions | Ending Balances | Due Within One Year |
|---|----------------------|------------------|---------------------|----------------------|------------------------|
| Business-type activities: | | | | | |
| Certificates of obligation | \$ 14,500,000 | \$ - | \$ (710,000) | \$ 13,790,000 | \$ 710,000 |
| Compensated absences | 21,417 | 23,392 | (19,961) | 24,848 | 24,848 |
| Net pension liability | 113,808 | - | (103,650) | 10,158 | - |
| Total OPEB liability | 80,067 | 12,004 | - | 92,071 | - |
| Business-type activities Long-term liabilities | <u>\$ 14,715,292</u> | <u>\$ 35,396</u> | <u>\$ (833,611)</u> | <u>\$ 13,917,077</u> | <u>\$ 734,848</u> |

Certificates of obligation bonds issued for business-type activities are repaid from those activities. Business type compensated absences, net pension liability and total OPEB liability will be liquidated by the utility fund.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities (continued)

Annual debt service requirements to maturity are as follows:

| Year Ending September 30 | Governmental Activities | | | |
|-----------------------------|-------------------------------|-------------|-------------------|------------------|
| | Certificates of Obligation | | Notes | |
| | Principal | Interest | Principal | Interest |
| 2022 | \$ 60,000 | \$ - | \$ 97,426 | \$ 7,752 |
| 2023 | 60,000 | - | 103,515 | 4,567 |
| 2024 | 110,000 | - | 18,931 | 1,183 |
| 2025 | 110,000 | - | - | - |
| 2026 | 110,000 | - | - | - |
| 2027-2031 | 545,000 | - | - | - |
| 2032-2036 | 525,000 | - | - | - |
| 2037-2041 | 525,000 | - | - | - |
| 2042-2046 | 525,000 | - | - | - |
| 2047-2050 | 425,000 | - | - | - |
| | <u>\$ 2,995,000</u> | <u>\$ -</u> | <u>\$ 219,872</u> | <u>\$ 13,502</u> |

| Year Ending September 30 | Business-type Activities | |
|-----------------------------|-------------------------------|---------------------|
| | Certificates of Obligation | |
| | Principal | Interest |
| 2022 | \$ 710,000 | \$ 108,815 |
| 2023 | 715,000 | 105,922 |
| 2024 | 755,000 | 102,748 |
| 2025 | 760,000 | 99,373 |
| 2026 | 770,000 | 95,761 |
| 2027-2031 | 3,890,000 | 417,799 |
| 2032-2036 | 3,670,000 | 296,533 |
| 2037-2041 | 1,545,000 | 143,816 |
| 2042-2046 | 650,000 | 7,645 |
| 2047-2050 | 325,000 | - |
| | <u>\$ 13,790,000</u> | <u>\$ 1,378,412</u> |

Among other provisions, the ordinances authorizing issuance of the City's certificates of obligation required the following:

1. Interest and Sinking Fund

This section requires monthly transfers from the operating fund to the interest and sinking in the amount equal to 1/12 of next maturing interest plus 1/12 of next maturing principal for debt service payments for the Series 2005A, 2005B, 2012, 2012A and 2019B Certificates of Obligation.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

K. Interfund receivables and payables

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

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|--|---------------------|
| General | Utility | \$ 326,581 |
| General | Certificates of Obligation, Series 2019A | 64,913 |
| General | Other governmental funds | 900 |
| Other governmental funds | Other governmental funds | 80 |
| Utility | Other enterprise fund | 1,310,548 |
| | | <u>\$ 1,703,022</u> |

These balances resulted from the lag time between the dates that transactions are recorded in the accounting system and payments between funds are made.

L. Interfund transfers

| | <u>Transfer In:</u> | | |
|--|---------------------|---|-------------------|
| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
| Transfer out: | | | |
| General | \$ - | \$ 110,826 | \$ 110,826 |
| Other governmental | - | 273 | 273 |
| Certificates of Obligation, Series 2019A | 323 | 1,250 | 1,573 |
| | <u>\$ 323</u> | <u>\$ 112,349</u> | <u>\$ 112,672</u> |

Transfers were used to move amounts between funds for operating activities and debt service payments.

M. Contingencies

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

N. Subsequent events

Subsequent to year end, the City:

- approved wastewater treatment plant improvements of approximately \$50,000.
- approved planning and design services for a Police Department building
- approved construction contracts in the amount of approximately \$573,000

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 3 – DEFINED BENEFIT PENSION PLANS

A. Plan description

The City of Marlin, Texas participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

B. Benefits provided

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

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

| | <u>Plan Provisions</u> |
|--|------------------------------|
| Employee deposit rate | 5% |
| Municipal current matching ratio | 2-1 |
| Updated service credits: | |
| Rate (%) | 100 T |
| Year effective | 2000R |
| Increase benefits to retirees: | |
| Rate (%) ⁽¹⁾ | 70 |
| Year effective | 2000R |
| Military service credit effective date | |
| Buyback effective date | |
| Vesting | 5 yrs |
| Service retirement eligibilities | 5 yrs/age 60, 20 yrs/any age |
| Restricted prior service credit effective date | Aug 2016 |
| Supplemental death benefits: | |
| Employees | Yes |
| Retirees | Yes |
| Statutory maximum (%) | 11.50% |

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

B. Benefits provided (continued)

⁽¹⁾ For years prior to 1982, the rate is the actual percentage in annuities. For 1982 and later, the rate is the percentage of the change in the CPI-U since retirement date, granted to each annuitant as an increase of the original annuity.

T — Includes Transfer Credits.

R — Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 53 |
| Inactive employees entitled to but not yet receiving benefits | 105 |
| Active employees | 55 |
| | 213 |

C. Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Marlin, Texas were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Marlin, Texas were 9.18% and 9.18% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$221,728, and were equal to the required contributions.

D. Net pension liability

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

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (continued)

Actuarial assumptions

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

| | |
|---------------------------|--|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.5% per year |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

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

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

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (continued)

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

| Asset Class | Target Allocation | Long-Term Expected Real |
|-----------------------|--------------------------|--------------------------------|
| Global Equity | 30.0% | 5.30% |
| Core Fixed Income | 10.0% | 1.25% |
| Non-Core Fixed Income | 20.0% | 4.14% |
| Real Return | 10.0% | 3.85% |
| Real Estate | 10.0% | 4.00% |
| Absolute Return | 10.0% | 3.48% |
| Private Equity | 10.0% | 7.75% |
| Total | 100% | |

Discount Rate

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

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (continued)

Changes in the Net Pension (Asset) Liability

| | Increase (Decrease) | | |
|---|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at 12/31/2019 | \$ 5,543,529 | \$ 5,245,186 | \$ 298,343 |
| Changes for the year: | | | |
| Service cost | 242,659 | - | 242,659 |
| Interest | 371,298 | - | 371,298 |
| Difference between expected and actual experience | (200,163) | - | (200,163) |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 186,548 | (186,548) |
| Contributions - employee | - | 104,685 | (104,685) |
| Net investment income | - | 397,121 | (397,121) |
| Benefit payments, including refunds of employee contributions | (328,297) | (328,297) | - |
| Administrative expense | - | (2,576) | 2,576 |
| Other changes | - | (101) | 101 |
| Net Changes | \$ 85,497 | \$ 357,380 | \$ (271,883) |
| Balance at 12/31/2020 | \$ 5,629,026 | \$ 5,602,566 | \$ 26,460 |

Sensitivity of the net pension (asset) liability to changes in the discount rate -

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

| | 1.0% Decrease in Discount Rate | Discount Rate (6.75%) | 1.0% Increase in Discount Rate (7.75%) |
|------------------------------|-----------------------------------|-----------------------|---|
| City's net pension liability | \$ 884,131 | \$ 26,460 | \$ (658,071) |

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled \$24,127.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

E. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2021, the City recognized pension expense of \$52,654.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | |
|---|---------------------------------------|---------------------------------|
| | Governmental Activities | Business-type Activities |
| Contributions subsequent to the measurement date | \$ 98,634 | \$ 61,456 |
| Total | \$ 98,634 | \$ 61,456 |
| | Deferred Inflows of Resources | |
| | Governmental Activities | Business-type Activities |
| Difference between projected and actual investment earnings | \$ 91,986 | \$ 57,353 |
| Changes in actuarial assumptions | 167 | 97 |
| Differences between expected and actual economic experience | 66,083 | 41,245 |
| Total | \$ 158,236 | \$ 98,695 |

\$160,090 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | |
|-------------------------------|-------------|
| 2021 | \$(164,327) |
| 2022 | 4,856 |
| 2023 | (88,846) |
| 2024 | (8,614) |
| Total | \$(256,931) |

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

A. Plan description

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e. , no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single-employer, defined benefit OPEB plan. TMRS issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at tmrs.com.

B. Benefits provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500.

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

C. Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|----------|
| Inactive employees currently receiving benefits | 31 |
| Inactive employees entitled to but not yet receiving benefits | 7 |
| Active employees | 55 |
| | <hr/> 93 |

D. Total OPEB liability

The City's total OPEB liability of \$239,831 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

D. Total OPEB liability (continued)

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| Inflation | 2.50% |
| Salary increases | 3.50% to 11.50%, including inflation |
| Discount rate* | 2.00% |
| 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. |

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

D. Total OPEB liability (continued)

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|-----------------------------|
| Balance at 12/31/2019 | \$ 209,892 |
| Changes for the year: | |
| Service cost | 7,328 |
| Interest | 5,830 |
| Difference between expected and actual experience | (6,740) |
| Changes in assumptions or other inputs | 26,662 |
| Benefit payments** | (3,141) |
| Net Changes | \$ 29,939 |
| Balance at 12/31/2020 | \$ 239,831 |

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

Sensitivity of the total OPEB liability to changes in the discount rate -

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

| | 1% Decrease (1.00%) | Current Discount Rate (2.00%) | 1% Increase (3.00%) |
|----------------------|--------------------------------|--|--------------------------------|
| Total OPEB liability | \$ 284,109 | \$ 239,831 | \$ 205,253 |

CITY OF MARLIN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$23,825. At September 30, 2021, the City reported deferred outflows of resources and related to OPEB from the following sources:

| | Deferred Outflows of Resources | |
|--|---------------------------------------|---------------------------------|
| | Governmental Activities | Business-type Activities |
| Changes in actuarial assumptions | \$ 22,941 | \$ 14,249 |
| Contributions subsequent to the measurement date | 2,939 | 1,862 |
| Total | \$ 25,880 | \$ 16,111 |

| | Deferred Inflows of Resources | |
|---|--------------------------------------|---------------------------------|
| | Governmental Activities | Business-type Activities |
| Differences between expected and actual economic experience | \$ 7,094 | \$ 4,394 |
| Total | \$ 7,094 | \$ 4,394 |

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

| Year Ended December 31 | |
|-------------------------------|-----------|
| 2021 | \$ 8,155 |
| 2022 | 6,423 |
| 2023 | 8,103 |
| 2024 | 3,021 |
| Total | \$ 25,702 |

F. Payable to the OPEB Plan

At September 30, 2021, the City reported a payable of \$731 for the outstanding amount of contributions to the Plan required for the year ended September 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

These supplementary schedules are included to supplement the basic financial statements as required by Governmental Accounting Standards Board.

CITY OF MARLIN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2021

| | Budgeted Amounts | | Actual | Adjustments | Actual | Variance with Final Budget |
|--|-------------------------|--------------------|-----------------------|-------------------------|-------------------------|---------------------------------------|
| | Original | Final | GAAP Basis | Budget Basis | Budget Basis | |
| REVENUES | | | | | | |
| Property taxes | \$1,671,946 | \$1,671,946 | \$1,487,780 | \$ (10,089) | \$1,477,691 | \$ (194,255) |
| Sales taxes | 480,210 | 480,210 | 911,222 | (25,137) | 886,085 | 405,875 |
| Franchise taxes | 200,000 | 200,000 | 179,288 | 6,389 | 185,677 | (14,323) |
| Alcoholic beverage taxes | 3,000 | 3,000 | 3,273 | 90 | 3,363 | 363 |
| Licenses, permits and fees | 29,100 | 29,100 | 32,213 | - | 32,213 | 3,113 |
| Fines and forfeitures | 254,200 | 254,200 | 204,985 | (13,304) | 191,681 | (62,519) |
| Charges for current services | 11,375 | 11,375 | 10,918 | - | 10,918 | (457) |
| Sanitation | 550,425 | 550,425 | 596,775 | (6,010) | 590,765 | 40,340 |
| Investment earnings | 22,700 | 22,700 | 2,666 | - | 2,666 | (20,034) |
| Miscellaneous | 100,950 | 100,950 | 159,677 | - | 159,677 | 58,727 |
| Intergovernmental | 21,200 | 21,200 | 937,707 | 65,315 | 1,003,022 | 981,822 |
| Contributions and donations | 18,594 | 16,889 | 2,120 | - | 2,120 | (14,769) |
| Total revenues | 3,363,700 | 3,361,995 | 4,528,624 | 17,254 | 4,545,878 | 1,183,883 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 531,025 | 527,525 | 617,336 | 4,517 | 621,853 | 94,328 |
| Public safety | 1,612,478 | 1,629,183 | 1,618,713 | (11,306) | 1,607,407 | (21,776) |
| Streets | 634,869 | 634,869 | 562,651 | (76,611) | 486,040 | (148,829) |
| Sanitation | 425,043 | 425,043 | 601,854 | - | 601,854 | 176,811 |
| Cultural and recreational | 57,651 | 57,651 | 54,243 | - | 54,243 | (3,408) |
| Debt service: | | | | | | |
| Principal retirement | 101,337 | 101,337 | 105,621 | (4,528) | 101,093 | (244) |
| Interest and fiscal charges | - | - | 16,327 | (16,327) | - | - |
| Total expenditures | 3,362,402 | 3,375,607 | 3,576,745 | (104,255) | 3,472,490 | 96,883 |
| Excess (deficiency) of revenues over expenditures | 1,298 | (13,612) | 951,879 | 121,509 | 1,073,388 | 1,087,000 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Note proceeds | - | - | 75,374 | (75,374) | - | - |
| Sale of capital assets | 2,000 | 2,000 | - | - | - | (2,000) |
| Transfers in | - | - | 323 | - | 323 | 323 |
| Transfers out | (3,298) | (3,298) | (110,826) | 50,826 | (60,000) | (56,702) |
| Total other financing sources (uses) | (1,298) | (1,298) | (35,129) | (24,548) | (59,677) | (58,379) |
| Net change in fund balances | \$ 0 | \$ (14,910) | \$ 916,750 | \$ 96,961 | \$1,013,711 | \$ 1,028,621 |

NOTES TO BUDGETARY INFORMATION

1. Budgetary basis of accounting

An annual budget for the general fund is adopted on the modified accrual basis. Appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

2. Excess of expenditures over appropriations in individual funds

The General Fund expenses exceeded appropriations by \$96,883. This excess was funded by greater than anticipated revenues in the general fund.

CITY OF MARLIN, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 Last 10 Years (will ultimately be displayed)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total pension liability | | | | | | |
| Service Cost | | \$ 200,420 | \$ 212,098 | \$ 247,653 | \$ 248,303 | \$ 242,659 |
| Interest (on the Total Pension Liability) | | 331,701 | 342,858 | 348,383 | 361,058 | 371,298 |
| Difference between expected and actual experience | | (8,899) | (124,663) | (46,465) | (95,175) | (200,163) |
| Changes of assumptions | | - | - | - | (3,036) | - |
| Benefit payments, including refunds of employee contributions | | (334,343) | (393,191) | (339,272) | (384,953) | (328,297) |
| Net Change in Total Pension Liability | - | 188,879 | 37,102 | 210,299 | 126,197 | 85,497 |
| Total Pension Liability - Beginning | 4,981,052 | 5,169,931 | 5,207,033 | 5,417,332 | 5,417,332 | 5,543,529 |
| Total Pension Liability - Ending (a) | \$4,981,052 | \$5,169,931 | \$5,207,033 | \$5,417,332 | \$5,543,529 | \$5,629,026 |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - Employer | | \$ 144,545 | \$ 170,719 | \$ 197,768 | \$ 187,995 | \$ 186,548 |
| Contributions - Employee | | 84,852 | 90,254 | 105,205 | 104,858 | 104,685 |
| Net Investment Income | | 281,475 | 601,266 | (143,771) | 713,536 | 397,121 |
| Benefit payments, including refunds of employee contributions | | (334,343) | (393,191) | (339,272) | (384,953) | (328,297) |
| Administrative Expense | | (3,184) | (3,121) | (2,785) | (4,043) | (2,576) |
| Other | | (172) | (158) | (146) | (121) | (101) |
| Net Change in Plan Fiduciary Net Position | - | 173,173 | 465,769 | (183,001) | 617,272 | 357,380 |
| Plan Fiduciary Net Position - Beginning | 4,171,973 | 4,345,146 | 4,810,915 | 4,810,915 | 4,627,914 | 5,245,186 |
| Plan Fiduciary Net Position - Ending (b) * | \$4,171,973 | \$4,345,146 | \$4,810,915 | \$4,627,914 | \$5,245,186 | \$5,602,566 |
| Net Pension (Asset) Liability - Ending (a) - (b) | \$ 809,079 | \$ 824,785 | \$ 396,118 | \$ 789,418 | \$ 298,343 | \$ 26,460 |
| Plan Fiduciary Net Position as a Percentage of Total Pension (Asset) Liability | 83.76% | 84.05% | 92.39% | 85.43% | 94.62% | 99.53% |
| Covered Payroll | 1,512,467 | 1,697,032 | 1,805,088 | 2,104,100 | 2,097,152 | 2,093,694 |
| Net Pension (Asset) Liability as a Percentage of Covered Payroll | 53.49% | 48.60% | 21.94% | 37.52% | 14.23% | 1.26% |

* FNP may be off a dollar due to rounding.

Notes to Schedule:

Ending total pension liability and plan fiduciary net position were determined from the beginning of year 2016. The City does not have detailed information for 2014 or 2015.

CITY OF MARLIN, TEXAS
SCHEDULE OF CONTRIBUTIONS
 Last 10 Fiscal Years (will ultimately be displayed)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actuarially Determined Contribution | \$ 110,909 | \$ 128,183 | \$ 143,763 | \$ 170,719 | \$ 200,425 | \$ 184,343 | \$ 214,819 |
| Contributions in relation to the actuarially determined contribution | 110,909 | 128,183 | 143,763 | 170,719 | 200,425 | 184,343 | 214,819 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - |
| Covered payroll | 1,582,155 | 1,529,623 | 1,697,032 | 1,805,088 | 2,138,843 | 2,008,090 | 2,410,873 |
| Contributions as a percentage of covered payroll | 7.01% | 8.38% | 8.47% | 9.46% | 9.37% | 9.18% | 8.91% |

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal
 Amortization Method Level Percentage of Payroll, Closed
 Remaining Amortization Period 25 years
 Asset Valuation Method 10 Year smoothed market; 12% soft corridor
 Inflation 2.50%
 Salary Increases 3.50% to 11.5% 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 There were no benefit changes during the year.

CITY OF MARLIN, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

| | 2017 | 2018 | 2019 | 2020 |
|--|-------------------|-------------------|-------------------|-------------------|
| Total pension liability | | | | |
| Service Cost | \$ 6,498 | \$ 8,627 | \$ 6,501 | \$ 7,328 |
| Interest (on the Total Pension Liability) | 6,090 | 6,033 | 6,687 | 5,830 |
| Difference between expected and actual experience | - | (2,101) | (8,812) | (6,740) |
| Changes of assumptions and other inputs | 10,628 | (10,249) | 30,094 | 26,662 |
| Benefit payments | (2,888) | (3,367) | (3,146) | (3,141) |
| Net Change in Total Pension Liability | 20,328 | (1,057) | 31,324 | 29,939 |
| Total Pension Liability - Beginning | 159,297 | 179,625 | 178,568 | 209,892 |
| Total Pension Liability - Ending | \$ 179,625 | \$ 178,568 | \$ 209,892 | \$ 239,831 |
| | | | | |
| Covered Payroll | 1,805,088 | 2,104,100 | 2,097,152 | 2,093,694 |
| | | | | |
| Total OPEB Liability as a Percentage of Covered Payroll | 9.95% | 8.49% | 10.01% | 11.45% |

Notes to Schedule:

Note 1 - No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Note 2 - The actuarial assumptions and other inputs used to calculate the total OPEB liability are described in note 4.D to the financial statements.

Note 3 - Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Nonmajor Governmental Funds

SPECIAL REVENUE FUND - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to be used for specified purposes.

City Park Donation Fund - This fund was created to account for projects sponsored by the City. It is funded by donations and other contributions.

Hotel Motel Tax Fund - This fund is used to account for the hotel occupancy tax levied on all hotels in the City. Funds are used for advertising and general promotion of the City.

Juvenile Case Management Fund - This fund is used to account for municipal court fines designated for juvenile case management.

Court Security Fund - This fund is used to account for a portion of the municipal court fees earmarked to help fund security improvements to the Court.

Court Technology Fund - This fund is used to account for a portion of the municipal court fees earmarked to help fund technology improvements for Court operations.

Police Seizures Fund - This fund is used to account for police funds that were seized and pending court action.

LEOSE Fund - This fund is used to account for expenditures that are funded by the state for law enforcement officer education.

DEBT SERVICE FUND - This fund is utilized to account for the accumulation of financial resources for, and the payment of, general long term debt principal, interest and related costs arising from the issuance of bonds.

CAPITAL PROJECTS FUND - Capital projects funds are used to account for the acquisition and construction of major capital projects other than those financed by proprietary funds.

First Street Repair Fund - This fund is used to account for resources provided and expended for the improvements and repairs to First Street.

CITY OF MARLIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2021

| | Nonmajor Special Revenue | Debt Service | Nonmajor Capital Project | Total Nonmajor Governmental Funds |
|---|---|-------------------------|---|--|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 321,347 | \$ 122,560 | \$ 81,525 | \$ 525,432 |
| Receivables (net of allowance for uncollectibles) | 6,355 | - | - | 6,355 |
| Due from other funds | 80 | - | - | 80 |
| Total assets | <u>\$ 327,782</u> | <u>\$ 122,560</u> | <u>\$ 81,525</u> | <u>\$ 531,867</u> |
| LIABILITIES | | | | |
| Accrued payroll payable | \$ 768 | \$ - | \$ - | \$ 768 |
| Due to other funds | 980 | - | - | 980 |
| Total liabilities | <u>1,748</u> | <u>-</u> | <u>-</u> | <u>1,748</u> |
| FUND BALANCES | | | | |
| Restricted: | | | | |
| Capital projects | - | - | 81,525 | 81,525 |
| Debt service | - | 122,560 | - | 122,560 |
| Public safety | 31,634 | - | - | 31,634 |
| Cultural and recreational | 294,400 | - | - | 294,400 |
| Total fund balances | <u>326,034</u> | <u>122,560</u> | <u>81,525</u> | <u>530,119</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 327,782</u> | <u>\$ 122,560</u> | <u>\$ 81,525</u> | <u>\$ 531,867</u> |

CITY OF MARLIN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2021

| | Nonmajor Special Revenue | Debt Service | Nonmajor Capital Project | Total Nonmajor Governmental Funds |
|--|---|-------------------------|---|--|
| REVENUES | | | | |
| Hotel occupancy taxes | \$ 43,648 | \$ - | \$ - | \$ 43,648 |
| Fines and forfeitures | 5,824 | - | - | 5,824 |
| Investment earnings | 35 | - | 2 | 37 |
| Miscellaneous | 5,277 | - | - | 5,277 |
| Intergovernmental | 1,085 | - | - | 1,085 |
| Total revenues | <u>55,869</u> | <u>-</u> | <u>2</u> | <u>55,871</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 22,541 | - | - | 22,541 |
| Cultural and recreational | 95,678 | - | - | 95,678 |
| Debt service: | | | | |
| Principal retirement | - | 140,000 | - | 140,000 |
| Interest and fiscal charges | - | 7,669 | - | 7,669 |
| Total expenditures | <u>118,219</u> | <u>147,669</u> | <u>-</u> | <u>265,888</u> |
| Excess (deficiency) of revenues over expenditures | <u>(62,350)</u> | <u>(147,669)</u> | <u>2</u> | <u>(210,017)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 273 | 112,076 | - | 112,349 |
| Transfers out | (273) | - | - | (273) |
| Total other financing sources (uses) | <u>-</u> | <u>112,076</u> | <u>-</u> | <u>112,076</u> |
| Net change in fund balances | (62,350) | (35,593) | 2 | (97,941) |
| Fund balances at beginning of year | <u>388,384</u> | <u>158,153</u> | <u>81,523</u> | <u>628,060</u> |
| Fund balances at end of year | <u>\$ 326,034</u> | <u>\$ 122,560</u> | <u>\$ 81,525</u> | <u>\$ 530,119</u> |

CITY OF MARLIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2021

| | City Park Donation | Hotel Motel Tax | Juvenile Case Management | Court Security | Court Technology | Police Seizures | LEOSE | Total Nonmajor Special Revenue Funds |
|---|-----------------------------------|--------------------------------|---|---------------------------|-----------------------------|----------------------------|-----------------|---|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 2,278 | \$ 286,535 | \$ 2,873 | \$ 20,948 | \$ 3,105 | \$ 4,102 | \$ 1,506 | \$ 321,347 |
| Receivables (net of allowance for uncollectibles) | - | 6,355 | - | - | - | - | - | 6,355 |
| Due from other funds | - | - | - | - | 80 | - | - | 80 |
| Total assets | <u>\$ 2,278</u> | <u>\$ 292,890</u> | <u>\$ 2,873</u> | <u>\$ 20,948</u> | <u>\$ 3,185</u> | <u>\$ 4,102</u> | <u>\$ 1,506</u> | <u>\$ 327,782</u> |
| LIABILITIES | | | | | | | | |
| Accrued payroll payable | \$ - | \$ 768 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 768 |
| Due to other funds | - | - | - | 80 | - | 900 | - | 980 |
| Total liabilities | <u>-</u> | <u>768</u> | <u>-</u> | <u>80</u> | <u>-</u> | <u>900</u> | <u>-</u> | <u>1,748</u> |
| FUND BALANCES | | | | | | | | |
| Restricted: | | | | | | | | |
| Public safety | - | - | 2,873 | 20,868 | 3,185 | 3,202 | 1,506 | 31,634 |
| Cultural and recreational | 2,278 | 292,122 | - | - | - | - | - | 294,400 |
| Total fund balances | <u>2,278</u> | <u>292,122</u> | <u>2,873</u> | <u>20,868</u> | <u>3,185</u> | <u>3,202</u> | <u>1,506</u> | <u>326,034</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 2,278</u> | <u>\$ 292,890</u> | <u>\$ 2,873</u> | <u>\$ 20,948</u> | <u>\$ 3,185</u> | <u>\$ 4,102</u> | <u>\$ 1,506</u> | <u>\$ 327,782</u> |

CITY OF MARLIN, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Fiscal Year Ended September 30, 2021

| | City Park Donation | Hotel Motel Tax | Juvenile Case Management | Court Security | Court Technology | Police Seizures | LEOSE | Total Nonmajor Special Revenue Funds |
|--|--------------------------|-----------------------|--------------------------------|-------------------|---------------------|--------------------|----------|---|
| REVENUES | | | | | | | | |
| Hotel occupancy taxes | \$ - | \$ 43,648 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 43,648 |
| Fines and forfeitures | - | - | 711 | 185 | 4,928 | - | - | 5,824 |
| Investment earnings | - | - | 2 | 9 | 5 | 18 | 1 | 35 |
| Miscellaneous | - | 5,277 | - | - | - | - | - | 5,277 |
| Intergovernmental | - | - | - | - | - | - | 1,085 | 1,085 |
| Total revenues | - | 48,925 | 713 | 194 | 4,933 | 18 | 1,086 | 55,869 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Public safety | - | - | 1,768 | 1,090 | 18,903 | - | 780 | 22,541 |
| Cultural and recreational | 12 | 95,666 | - | - | - | - | - | 95,678 |
| Total expenditures | 12 | 95,666 | 1,768 | 1,090 | 18,903 | - | 780 | 118,219 |
| Excess (deficiency) of revenues over expenditures | (12) | (46,741) | (1,055) | (896) | (13,970) | 18 | 306 | (62,350) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | - | - | 273 | - | - | - | 273 |
| Transfers out | - | - | (46) | - | (227) | - | - | (273) |
| Total other financing sources (uses) | - | - | (46) | 273 | (227) | - | - | - |
| Net change in fund balances | (12) | (46,741) | (1,101) | (623) | (14,197) | 18 | 306 | (62,350) |
| Fund balances at beginning of year | 2,290 | 338,863 | 3,974 | 21,491 | 17,382 | 3,184 | 1,200 | 388,384 |
| Fund balances at end of year | \$ 2,278 | \$ 292,122 | \$ 2,873 | \$ 20,868 | \$ 3,185 | \$ 3,202 | \$ 1,506 | \$ 326,034 |

Proprietary Fund

ENTERPRISE FUND

The *Utility fund* was established to account for operations of the water and sewer system. It is operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including debt) of providing goods or services to the general public on a continuing bases are financed or recovered primarily through user charges.

CITY OF MARLIN, TEXAS
SCHEDULE OF OPERATING REVENUES AND EXPENSES - BUDGET AND ACTUAL
UTILITY FUND

For the Fiscal Year Ended September 30, 2021

| | Budgeted Amounts | | Actual GAAP Basis | Adjustments Budget Basis | Actual Budget Basis | Variance with Final Budget |
|-------------------------------|-------------------------|-------------------|----------------------------------|---|------------------------------------|---|
| | Original | Final | | | | |
| OPERATING REVENUES | | | | | | |
| Water services | \$2,398,650 | \$2,398,650 | \$ 2,269,676 | \$ (8,495) | \$2,261,181 | \$ (137,469) |
| Waste water services | 910,000 | 910,000 | 909,693 | (41,128) | 868,565 | (41,435) |
| Penalties | 93,000 | 93,000 | 67,053 | - | 67,053 | (25,947) |
| Tap fees | 3,000 | 3,000 | 13,100 | - | 13,100 | 10,100 |
| Miscellaneous | 69,800 | 69,800 | 49,089 | - | 49,089 | (20,711) |
| Total operating revenues | <u>3,474,450</u> | <u>3,474,450</u> | <u>3,308,611</u> | <u>(49,623)</u> | <u>3,258,988</u> | <u>(215,462)</u> |
| OPERATING EXPENSES | | | | | | |
| Water billing | 277,005 | 277,005 | 235,492 | 19,790 | 255,282 | (21,723) |
| Water plant | 1,203,071 | 1,233,071 | 1,065,154 | 112,663 | 1,177,817 | (55,254) |
| Wastewater plant | 555,500 | 555,500 | 292,333 | 10,339 | 302,672 | (252,828) |
| Public works | 643,775 | 713,325 | 592,437 | 69,453 | 661,890 | (51,435) |
| Depreciation and amortization | - | - | 535,676 | (535,676) | - | - |
| Total operating expenses | <u>2,679,351</u> | <u>2,778,901</u> | <u>2,721,092</u> | <u>(323,431)</u> | <u>2,397,661</u> | <u>(381,240)</u> |
| Operating income | <u>\$ 795,099</u> | <u>\$ 695,549</u> | <u>\$ 587,519</u> | <u>\$ 273,808</u> | <u>\$ 861,327</u> | <u>\$ 165,778</u> |