

CITY OF HALLETTSVILLE, TEXAS

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
DECEMBER 31, 2021

CITY OF HALLETTSVILLE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
Hallettsville, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hallettsville, Texas as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Hallettsville, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to *above* present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information the City of Hallettsville, Texas as of December 31, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hallettsville, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards we:

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

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

Required Supplementary Information;

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement system information, and the OPEB system information on pages 3-11, pages 74-75, and page 76 and 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.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hallettsville, Texas's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



BEYER & COMPANY
Certified Public Accountants
July 15, 2022

Management's Discussion and Analysis

Financial Highlights

- . The assets of the City of Hallettsville, Texas exceeded its liabilities at the close of the most recent fiscal year by \$26,403,527 (net position). Of this amount, \$5,590,085 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net position increased by \$1,534,982. The major reason for the increase was a net profit in the electrical department of \$939,554, a reduction in governmental activity expenses of \$687,936, and careful budget management.
- . As of the close of the current fiscal year, the City of Hallettsville, Texas' governmental funds reported combined ending fund balances of \$4,901,957, an increase of \$366,233 in comparison with the prior year. Approximately 20% of this total amount, \$1,000,744, is available for spending at the government's discretion (unassigned fund balance).
- . At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,000,744, or 31 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Hallettsville, Texas' basic financial statements. The City of Hallettsville, Texas' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to 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 of Hallettsville, Texas' finances, in a manner like a private-sector business.

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

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

Both government-wide financial statements distinguish functions of the City of Hallettsville, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Hallettsville, Texas include general administration, public safety, public transportation, and culture and recreation. The business-type activities of the City of Hallettsville, Texas includes the Utility fund.

The government-wide financial statements include only the City of Hallettsville, Texas itself (known as the primary government).

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 of Hallettsville, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City of Hallettsville, Texas can be divided into three categories: governmental funds, fiduciary 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 evaluating a government's near-term financing requirements.

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

The City of Hallettsville, Texas maintains eight 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, the Sales Tax Mft. Dev. 4-A, the Sales Tax Mft. Dev. 4-B fund, and the Grant Fund, which are major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Hallettsville, Texas adopts an annual appropriated budget for its General Fund, Sales Tax Mft. Dev. 4-A and the Sales Tax Mft. Dev. 4-B fund. A budgetary comparison statement has been provided for the General Fund, Sales Tax Mft. Dev. 4-A and the Sales Tax Mft. Dev. 4-B fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-20 of this report.

Proprietary funds: The City of Hallettsville, Texas maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Hallettsville, Texas uses enterprise funds to account for its Utility activities.

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 which is a major fund of the City of Hallettsville, Texas.

The basic proprietary fund financial statements can be found on pages 21-25 of this report.

Trust Fund: The City of Hallettsville, Texas also has one trust fund presented in this report. Such funds are not included in the City-wide statement but are shown separately on pages 26-27.

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 28-73 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 City of Hallettsville, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 74-76 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 77-78 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hallettsville, Texas, assets exceeded liabilities by \$26,403,527 at the close of the most recent fiscal year.

By far the largest portion of the City of Hallettsville, Texas' net position (66 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Hallettsville, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Hallettsville, Texas' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF HALLETTSVILLE, TEXAS NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$5,486,802	\$4,989,908	\$4,919,924	\$5,064,724	\$10,406,726	\$10,054,632
Restricted Assets:	215,650	215,276			215,650	215,276
Capital Assets:	10,330,001	9,237,536	6,995,824	7,187,820	17,325,825	16,425,356
Total Assets	16,032,453	14,442,720	11,915,748	12,252,544	27,948,201	26,695,264
Total Deferred Outflows of Resources	195,205	195,326	128,026	124,671	323,231	319,997
Long-Term Liabilities	423,363	480,193	278,171	309,535	701,534	789,728
Other Liabilities	217,014	116,532	558,756	478,806	775,770	595,338
Total Liabilities	640,377	596,725	836,927	788,341	1,477,304	1,385,066
Total Deferred Inflows of Resources	364,161	577,917	26,440	183,733	390,601	761,650
Invested in Capital Assets, Net of Related Debt	10,330,001	9,237,536	6,995,824	7,187,820	17,325,825	16,425,356
Restricted	3,441,078	2,973,877	46,539	46,700	3,487,617	3,020,577
Unrestricted	1,452,041	1,251,991	4,138,044	4,170,621	5,590,085	5,422,612
Total Net Position	\$15,223,120	\$13,463,404	\$11,180,407	\$11,405,141	\$26,403,527	\$24,868,545

An additional portion of the City of Hallettsville, Texas' net position (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,590,085) may be used to meet the governments on going obligations to citizens and creditors. At the end of the current fiscal year, the City of Hallettsville, Texas reported a positive balance in the governmental activities and a positive balance in the business-type activities. For the prior fiscal year, the City of Hallettsville, Texas reported positive balances in all three categories of net position, both for the government, as well as for its separate governmental and business-type.

The government's total net position increased by \$1,534,982. The major reason for the increase was a net profit in the electrical department of \$939,554 a reduction in governmental activity expenses of \$687,936, and careful budget management.

Governmental activities:

Governmental activities increased the City of Hallettsville, Texas' net position by \$1,759,716, thereby accounting for 100 percent of the total growth in the net position of the City of Hallettsville, Texas. The major reason for this increase was a transfer of \$767,379 from the business type activities, a reduction in governmental activity expenses of \$687,936, and careful budget management.

**CITY OF HALLETTSVILLE, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services	\$193,074	\$112,926	\$5,650,921	\$5,658,578	\$5,843,995	\$5,771,504
Operating Grants and Contributions	40,332	37,871	0	0	40,332	37,871
Capital Grants and Contributions	0	0	0	0	0	0
General Revenues:						
Maintenance and Operations Taxes	440,582	431,127			440,582	431,127
Sales Taxes	1,373,865	1,321,424			1,373,865	1,321,424
Franchise Taxes	80,588	60,972			80,588	60,972
Other Taxes	51,878	74,224			51,878	74,224
Licenses and permits	26,753	23,564			26,753	23,564
Grants and Contributions not Restricted to Specific Programs	870,888	656,747			870,888	656,747
Unrestricted Investment Earnings	7,406	35,633	8,283	21,961	15,689	57,594
Miscellaneous	270,078	283,421	47,507	44,436	317,585	327,857
Total Revenue	3,355,444	3,037,909	5,706,711	5,724,975	9,062,155	8,762,884
Expenses:						
General Administration	339,962	792,306			339,962	792,306
Public Facilities	2,546	2,546			2,546	2,546
Public Safety	976,937	1,139,737			976,937	1,139,737
Public Transportation	309,721	358,613			309,721	358,613
Culture and Recreation	733,941	757,841			733,941	757,841
Utility			5,164,066	4,719,828	5,164,066	4,719,828
Total Expenses	2,363,107	3,051,043	5,164,066	4,719,828	7,527,173	7,770,871
Increase in Net Position before transfers and special items	992,337	(13,134)	542,645	1,005,147	1,534,982	992,013
Transfers	767,379	712,993	(767,379)	(712,993)	0	0
Increase in Net Position	1,759,716	699,859	(224,734)	292,154	1,534,982	992,013
Net Position at 12/31/2020	13,463,404	12,763,545	11,405,141	11,112,987	24,868,545	23,876,532
Net Position at 12/31/2021	\$15,223,120	\$13,463,404	\$11,180,407	\$11,405,141	\$26,403,527	\$24,868,545

Expenses and Program Revenues - Governmental Activities

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General Administration	\$339,962			
Public Facility	2,546			
Public Safety	976,937	107,791		
Public Transportation	309,721			
Culture and Recreation	733,941	85,283	40,332	
Total Government Activities	<u>\$2,363,107</u>	<u>\$193,074</u>	<u>\$40,332</u>	<u>\$0</u>

Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$193,074	6%
Operating Grants and Contributions	40,332	1%
Maintenance and Operations Taxes	440,582	13%
Sales Taxes	1,373,865	41%
Franchise Taxes	80,588	2%
Other taxes	51,878	2%
License and Permits	26,753	1%
Grants and Contributions not Restricted to Specific Programs	870,888	26%
Unrestricted Investment Earnings	7,406	0%
Miscellaneous	270,078	8%
	<u>\$3,355,444</u>	<u>100%</u>

Business-type activities:

The business-type activities net position decreased by \$224,734. The major reason for this decrease was a net transfer out of \$767,379.

Expenses and Program Revenues - Business Activities

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Business-Type Activities:			
Electric	3,079,686	4,019,240	\$0
Water	770,681	562,433	0
Sewer	220,402	391,422	0
Public Works	155,241		0
Solid Waste	659,068	677,826	0
Administration	278,988		0
Total Business-Type Activities	<u>\$5,164,066</u>	<u>\$5,650,921</u>	<u>\$0</u>

Revenues by Source - Business-Type Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$5,650,921	99.02%
Unrestricted Investment Earnings	8,283	0.15%
Miscellaneous	47,507	0.83%
	<u>\$5,706,711</u>	<u>100.00%</u>

Financial Analysis of the Government's Funds

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

Governmental funds:

The focus of the City of Hallettsville, Texas' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Hallettsville, Texas' financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Hallettsville, Texas' governmental funds reported combined ending fund balances of \$4,901,957, an increase of \$366,233 in comparison with the prior year. Approximately 20 percent of this total amount \$1,000,744 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed.

The general fund is the chief operating fund of the City of Hallettsville, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,000,744, while total fund balance reached was \$1,380,021. 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 fund expenditures. Unassigned fund balance represents 31 percent of total general fund expenditures, while total fund balance represents 43 percent of that same amount.

The fund balance of the City of Hallettsville, Texas' general fund decreased by \$116,230 during the current fiscal year. Key factors in this decrease are as follows:

. This decrease is due mainly to an increase in expenditures of \$881,274.

At the end of the current fiscal year, restricted fund balance of the Sales Tax Mft. Dev. 4-A was \$1,682,776, while total fund balance reached was \$1,683,706. As a measure of the Sales Tax Mft. Dev. 4-A's liquidity, it may be useful to compare both restricted fund balance and total fund balance to total fund expenditures. Restricted fund balance represents 545 percent of total Sales Tax Mft. Dev. 4-A expenditures, while total fund balance represents percent of that same amount.

The fund balance of the City of Hallettsville, Texas' Sales Tax Mft. Dev. 4-A increased by \$21,985 during the current fiscal year. Key factors in this increase are as follows:

. This increase is due mainly to sales tax revenues of \$343,466.

At the end of the current fiscal year, restricted fund balance of the Sales Tax Mft. Dev. 4-B was \$1,116,123, while total fund balance reached was \$1,117,052. As a measure of the Sales Tax Mft. Dev. 4-B's liquidity, it may be useful to compare both restricted fund balance and total fund balance to total fund expenditures. Restricted fund balance represents 1396 percent of total Sales Tax Mft. Dev. 4-B expenditures, while total fund balance represents 1397 percent of that same amount.

The fund balance of the City of Hallettsville, Texas' Sales Tax Mft. Dev. 4-A increased by \$100,826 during the current fiscal year. Key factors in this increase are as follows:

. This increase is due mainly to sales tax revenues of \$343,466.

There is no financial analysis of the Grant Fund because grants funds are dictated by outside sources and any analysis would be impractical.

Proprietary funds:

The City of Hallettsville, Texas' proprietary funds 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 \$4,138,044. The decrease in net position was \$224,734. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Hallettsville, Texas' business-type activities.

General Fund Budgetary Highlights

There was an increase between the original budget and the final amended budget in the general fund of \$325,286. The main increase occurred in the Fire Department which increased by \$432,194 which was precipitated by an increased in mobile capital of \$106,463.

Capital Asset and Debt Administration

Capital assets:

The City of Hallettsville, Texas' investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounts to \$17,325,825 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Hallettsville, Texas' investment in capital assets for the current fiscal year was 5.48 percent (a 11.83 percent increase for governmental activities and a 2.67 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- . The City had street, water, and sewer facility projects.

CITY OF HALLETTSVILLE, TEXAS CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$2,027,351	\$2,027,351	\$37,611	\$37,611	\$2,064,962	\$2,064,962
Construction in Progress	716,093	230,698	20,870	554,846	736,963	785,544
Building and Improvements	3,021,367	2,920,464	0	0	3,021,367	2,920,464
Machinery and Equipment	781,437	255,339	98,766	171,897	880,203	427,236
Infrastructure	3,783,753	3,803,684			3,783,753	3,803,684
Distribution System			6,838,577	6,423,466	6,838,577	6,423,466
Total	<u>\$10,330,001</u>	<u>\$9,237,536</u>	<u>\$6,995,824</u>	<u>\$7,187,820</u>	<u>\$17,325,825</u>	<u>\$16,425,356</u>

Additional information on the City of Hallettsville, Texas' capital assets can be found in note IV C on pages 40-41 of this report.

Long-term debt:

The City had no bonded debt.

Economic Factors:

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the City. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Requests for Information

This financial report is designed to provide a general overview of the City of Hallettsville, Texas' 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 Finance Department, 101 N. Main, Hallettsville, Texas.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HALLETTSVILLE, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<i>ASSETS</i>			
Cash and Cash Equivalents	\$5,250,874	\$3,769,306	\$9,020,180
Receivables (Net of Allowance for Uncollectibles)	354,363	523,898	878,261
Due to Other Funds	(225,233)	225,233	0
Prepaid Expenses	106,798	21,188	127,986
Inventories	0	380,299	380,299
Restricted Assets:			
Cash and Cash Equivalents	215,650		215,650
Capital Assets Not Being Depreciated:			
Land	2,027,351	37,611	2,064,962
Construction in Progress	716,093	20,870	736,963
Total Capital Assets Being Depreciated, Net			
Building and Improvements	3,021,367		3,021,367
Machinery and Equipment	781,437	98,766	880,203
Infrastructure	3,783,753		3,783,753
Distribution System		6,838,577	6,838,577
Total Assets	<u>\$16,032,453</u>	<u>\$11,915,748</u>	<u>\$27,948,201</u>
<i>DEFERRED OUTFLOWS OF RESOURCES</i>			
GASB 68			
Deferred Outflow of Resources-Contributions (after 12/31/20)	175,704	115,236	290,940
GASB 75			
Difference in Changes in assumptions and other inputs	19,501	12,790	32,291
Total Deferred Outflows of Resources	<u>195,205</u>	<u>128,026</u>	<u>323,231</u>
<i>LIABILITIES:</i>			
Accounts Payable	\$180,788	\$318,737	\$499,525
Accrued Wages	36,226	21,143	57,369
Accrued Closure and Post Closure Care		12,893	12,893
Consumer Meter Deposit		205,983	205,983
Noncurrent Liabilities:			
Due Within One Year	41,621	27,803	69,424
Due in More Than One Year	381,742	250,368	632,110
Total Liabilities	<u>640,377</u>	<u>836,927</u>	<u>1,477,304</u>
<i>DEFERRED INFLOWS OF RESOURCES</i>			
Unavailable Revenue - Advanced Tax Collections	323,848	0	323,848
GASB 68			
Difference in expected and actual experience	5,309	3,482	8,791
Difference in projected and actual earnings	31,446	20,624	52,070
GASB 75			
Difference in expected and actual experience	3,558	2,334	5,892
Difference in Changes in assumptions and other inputs	0		0
Total Deferred Inflows of Resources	<u>364,161</u>	<u>26,440</u>	<u>390,601</u>
<i>NET POSITION</i>			
Invested in Capital Assets, Net of Related Debt	10,330,001	6,995,824	17,325,825
Restricted			
Community Development	3,382,390	46,539	3,428,929
Municipal Court	58,688		58,688
Unrestricted	1,452,041	4,138,044	5,590,085
Total Net Position	<u>\$15,223,120</u>	<u>\$11,180,407</u>	<u>\$26,403,527</u>

The accompanying notes are an integral part of this statement.

CITY OF HALLETTSVILLE, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in		Net (Expense) Revenue and Changes in
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Government Activities:							
General Administration	\$339,962				(\$339,962)		(\$339,962)
Public Facility	2,546				(2,546)		(2,546)
Public Safety	976,937	107,791			(869,146)		(869,146)
Public Transportation	309,721				(309,721)		(309,721)
Culture and Recreation	733,941	85,283	40,332		(608,326)		(608,326)
Total Government Activities	<u>2,363,107</u>	<u>193,074</u>	<u>40,332</u>	<u>0</u>	<u>(2,129,701)</u>	<u>0</u>	<u>(2,129,701)</u>
Business-Type Activities:							
Electric	3,079,686	4,019,240				939,554	939,554
Water	770,681	562,433		0		(208,248)	(208,248)
Sewer	220,402	391,422				171,020	171,020
Public Works	155,241					(155,241)	(155,241)
Solid Waste	659,068	677,826				18,758	18,758
Administration	278,988					(278,988)	(278,988)
Total Business-Type Activities	<u>5,164,066</u>	<u>5,650,921</u>	<u>0</u>	<u>0</u>		<u>486,855</u>	<u>486,855</u>
Total Primary Government	<u>\$7,527,173</u>	<u>\$5,843,995</u>	<u>\$40,332</u>	<u>\$0</u>	<u>(2,129,701)</u>	<u>486,855</u>	<u>(1,642,846)</u>
General Revenues							
Property Taxes, Levies for General Purposes					440,582		440,582
Sales Taxes					1,373,865		1,373,865
Franchise Taxes					80,588		80,588
Other Taxes					51,878		51,878
License and Permits					26,753		26,753
Grants and Contributions Not Restricted to Specific Programs					870,888		870,888
Unrestricted Investment Earnings					7,406	8,283	15,689
Miscellaneous					270,078	47,507	317,585
Transfers					767,379	(767,379)	0
Total General Revenues and Transfers					<u>3,889,417</u>	<u>(711,589)</u>	<u>3,177,828</u>
Change in Net Position					1,759,716	(224,734)	1,534,982
Net Position - Beginning					13,463,404	11,405,141	24,868,545
Net Position - Ending					<u>\$15,223,120</u>	<u>\$11,180,407</u>	<u>\$26,403,527</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF HALLETTSVILLE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General Fund	Sales Tax Mft. Dev. 4-A	Sales Tax Mft. Dev. 4-B	Grant Fund	Other Governmental Funds	Total Governmental Funds
<i>ASSETS</i>						
Cash and Cash Equivalents	\$1,795,987	\$1,677,501	\$1,088,616	\$452,514	\$236,256	\$5,250,874
Receivables (Net of Allowance for Uncollectibles)	236,777	27,947	27,948	5,200	0	297,872
Due from Other Funds	880				50,204	51,084
Prepaid Expenses	104,939	930	929		0	106,798
Restricted Assets:						
Cash and Cash Equivalents						
Capital Improvements	215,650					215,650
Total Assets	\$2,354,233	\$1,706,378	\$1,117,493	\$457,714	\$286,460	\$5,922,278
 <i>LIABILITIES AND FUND BALANCES:</i>						
Accounts Payable	\$135,560	\$22,232		\$1,661	\$21,335	\$180,788
Due to Other Funds	275,436	440	441		0	276,317
Accrued Wages	36,226					36,226
Compensated Absences	41,621					41,621
Total Liabilities	488,843	22,672	441	1,661	21,335	534,952
 <i>DEFERRED INFLOWS OF RESOURCES</i>						
Unearned Revenues	161,521					161,521
Unavailable Revenue - Advanced Tax Collections	323,848				0	323,848
Total Deferred Inflows of Resources	485,369	0	0	0	0	485,369
 <i>Fund Balances:</i>						
Nonspendable						
Prepaid Expenses	104,939	930	929			106,798
Restricted						
Community Development		1,682,776	1,116,123	456,053	127,438	3,382,390
Municipal Court	58,688					58,688
Committed						
Community Development	215,650					215,650
Public Safety					137,687	137,687
Unassigned	1,000,744					1,000,744
Total Fund Balance	1,380,021	1,683,706	1,117,052	456,053	265,125	4,901,957
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$2,354,233	\$1,706,378	\$1,117,493	\$457,714	\$286,460	\$5,922,278

The accompanying notes are an integral part of this statement.

CITY OF HALLETTSVILLE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2021

Total Fund Balances - Governmental Funds Balance Sheet

Amounts reported for governmental activities in the statement of net position ("SNP") are different because:	\$4,901,957
Capital assets used in governmental activities are not reported in the funds.	10,330,001
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	161,521
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	211,383
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(381,742)
Net Position of Governmental Activities - Statement of Net Position	<u><u>\$15,223,120</u></u>

The accompanying notes are an integral part of this statement.

CITY OF HALLETTSVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General Fund	Sales Tax Mft. Dev. 4-A	Sales Tax Mft. Dev. 4-B	Grant Fund	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>						
Taxes						
Property	\$455,475				\$0	\$455,475
Sales	686,933	343,466	343,466		0	1,373,865
Franchise	80,588					80,588
Other	10,048				41,830	51,878
Licenses and Permits	26,753					26,753
Intergovernmental	468,696			415,570	26,955	911,221
Charges for Services	91,279					91,279
Fines and Forfeitures	90,329					90,329
Interest	2,723	2,407	2,117		159	7,406
Miscellaneous	258,679	1,400			9,999	270,078
Total Revenues	<u>2,171,503</u>	<u>347,273</u>	<u>345,583</u>	<u>415,570</u>	<u>78,943</u>	<u>3,358,872</u>
<i>EXPENDITURES</i>						
Current:						
General Administration	274,383	308,888	79,969	63,917	11,614	738,771
Public Safety	1,573,073				200	1,573,273
Public Transportation	544,115					544,115
Culture and Recreation	844,729				59,130	903,859
Total Expenditures	<u>3,236,300</u>	<u>308,888</u>	<u>79,969</u>	<u>63,917</u>	<u>70,944</u>	<u>3,760,018</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,064,797)</u>	<u>38,385</u>	<u>265,614</u>	<u>351,653</u>	<u>7,999</u>	<u>(401,146)</u>
<i>OTHER FINANCING SOURCES (USES):</i>						
Operating Transfers In	948,567				0	948,567
Operating Transfers Out	0	(16,400)	(164,788)		0	(181,188)
Total Other Financing Sources (Uses)	<u>948,567</u>	<u>(16,400)</u>	<u>(164,788)</u>	<u>0</u>	<u>0</u>	<u>767,379</u>
Net Changes in Fund Balances	<u>(116,230)</u>	<u>21,985</u>	<u>100,826</u>	<u>351,653</u>	<u>7,999</u>	<u>366,233</u>
Fund Balances - Beginning	<u>1,496,251</u>	<u>1,661,721</u>	<u>1,016,226</u>	<u>104,400</u>	<u>257,126</u>	<u>4,535,724</u>
Fund Balances - Ending	<u>\$1,380,021</u>	<u>\$1,683,706</u>	<u>\$1,117,052</u>	<u>\$456,053</u>	<u>\$265,125</u>	<u>\$4,901,957</u>

The accompanying notes are an integral part of this statement.

CITY OF HALLETTSVILLE, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 DECEMBER 31, 2021

Net Changes in Fund Balances - Total Governmental Funds	\$366,233
Amounts reported for governmental activities in the statement of net position ("SNP") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,092,465
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	11,465
GASB 68	
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	15,820
Difference in expected and actual experience. This is the change in these amounts this year.	(22,165)
Difference in projected and actual earnings. This is the change in these amounts this year.	254,615
Difference in Changes in assumptions and other inputs. This is the change in these amounts this year.	(6,894)
(Increase) decrease in net pension liability from beginning of period to end of period.	71,790
GASB 75	
Difference in expected and actual experience. This is the change in these amounts this year.	(1,758)
Difference in Changes in assumptions and other inputs. This is the change in these amounts this year.	7,809
(Increase) decrease in OPEB Liability from beginning of period to end of period.	(14,771)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(14,893)
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$1,759,716</u>

The accompanying notes are an integral part of this statement.

CITY OF HALLETTSVILLE, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<i>REVENUES</i>				
Taxes				
Property	\$398,258	\$485,464	\$455,475	(\$29,989)
Sales	650,000	700,000	686,933	(13,067)
Franchise	74,005	78,420	80,588	2,168
Other	7,000	10,000	10,048	48
Licenses and Permits	21,000	30,500	26,753	(3,747)
Intergovernmental	79,320	468,695	468,696	1
Charges for Services	83,650	93,179	91,279	(1,900)
Fines and Forfeitures	115,200	103,484	90,329	(13,155)
Interest	15,000	2,500	2,723	223
Miscellaneous	126,192	320,690	258,679	(62,011)
Total Revenues	<u>1,569,625</u>	<u>2,292,932</u>	<u>2,171,503</u>	<u>(121,429)</u>
<i>EXPENDITURES</i>				
Current:				
General Administration				
General Administration	273,500	289,516	274,383	15,133
Public Safety				
Fire Department	77,771	509,965	507,858	2,107
Fire Marshal	12,231	11,948	11,612	336
Municipal Court	118,263	107,292	76,914	30,378
Police Department	1,001,447	964,106	976,689	(12,583)
Public Transportation				
Streets	673,936	441,120	544,115	(102,995)
Culture and Recreation				
Airport	95,015	89,925	80,815	9,110
Parks	297,168	465,741	424,711	41,030
Golf	160,132	153,415	144,320	9,095
Library	206,752	208,473	194,883	13,590
Total Expenditures	<u>2,916,215</u>	<u>3,241,501</u>	<u>3,236,300</u>	<u>5,201</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,346,590)</u>	<u>(948,569)</u>	<u>(1,064,797)</u>	<u>(116,228)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	982,800	948,567	948,567	0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>982,800</u>	<u>948,567</u>	<u>948,567</u>	<u>0</u>
Net Changes in Fund Balances	<u>(363,790)</u>	<u>(2)</u>	<u>(116,230)</u>	<u>(116,228)</u>
Fund Balances - Beginning	<u>1,496,251</u>	<u>1,496,251</u>	<u>1,496,251</u>	
Fund Balances - Ending	<u>\$1,132,461</u>	<u>\$1,496,249</u>	<u>\$1,380,021</u>	<u>(\$116,228)</u>

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

CITY OF HALLETTSVILLE, TEXAS
 SALES TAX MFG. DEV. 4-A
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<i>REVENUES</i>				
Taxes				
Sales	\$325,000	\$325,000	\$343,466	\$18,466
Interest	5,000	5,000	2,407	(2,593)
Miscellaneous	1,200	1,200	1,400	200
Total Revenues	<u>331,200</u>	<u>331,200</u>	<u>347,273</u>	<u>16,073</u>
<i>EXPENDITURES</i>				
Current:				
General Administration	145,425	145,425	308,888	(163,463)
Total Expenditures	<u>145,425</u>	<u>145,425</u>	<u>308,888</u>	<u>(163,463)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>185,775</u>	<u>185,775</u>	<u>38,385</u>	<u>(147,390)</u>
<i>OTHER FINANCING SOURCES (USES):</i>				
Operating Transfers Out	(16,400)	(16,400)	(16,400)	0
Total Other Financing Sources (Uses)	<u>(16,400)</u>	<u>(16,400)</u>	<u>(16,400)</u>	<u>0</u>
Net Changes in Fund Balances	169,375	169,375	21,985	(147,390)
Fund Balances - Beginning	1,661,721	1,661,721	1,661,721	
Fund Balances - Ending	<u>\$1,831,096</u>	<u>\$1,831,096</u>	<u>\$1,683,706</u>	<u>(\$147,390)</u>

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

CITY OF HALLETTSVILLE, TEXAS
 SALES TAX MFG. DEV. 4-B
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<i>REVENUES</i>				
Taxes				
Sales	\$325,000	\$325,000	\$343,466	\$18,466
Interest	4,000	4,000	2,117	(1,883)
Total Revenues	<u>329,000</u>	<u>329,000</u>	<u>345,583</u>	<u>16,583</u>
<i>EXPENDITURES</i>				
Current:				
General Administration	136,925	136,925	79,969	56,956
Total Expenditures	<u>136,925</u>	<u>136,925</u>	<u>79,969</u>	<u>56,956</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>192,075</u>	<u>192,075</u>	<u>265,614</u>	<u>73,539</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(16,400)	(16,400)	(164,788)	(148,388)
Total Other Financing Sources (Uses)	<u>(16,400)</u>	<u>(16,400)</u>	<u>(164,788)</u>	<u>(148,388)</u>
Net Changes in Fund Balances	175,675	175,675	100,826	(74,849)
Fund Balances - Beginning	1,016,226	1,016,226	1,016,226	
Fund Balances - Ending	<u>\$1,191,901</u>	<u>\$1,191,901</u>	<u>\$1,117,052</u>	<u>(\$74,849)</u>

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

CITY OF HALLETTSVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$3,769,306	\$3,991,337	\$3,769,306
Accounts Receivables (Net of Allowance for Uncollectibles)	523,898	557,606	523,898
Due from Other Funds	225,233	107,565	225,233
Inventories	380,299	386,345	380,299
Prepaid Expenses	21,188	21,871	21,188
Total Current Assets	4,919,924	5,064,724	4,919,924
Capital Assets			
Land	37,611	37,611	37,611
Construction in Progress	20,870	554,846	20,870
Buildings and Improvements	66,132	66,132	66,132
Machinery and Equipment	2,715,471	2,710,381	2,715,471
Distribution System	20,585,826	19,711,105	20,585,826
Total Capital Assets	23,425,910	23,080,075	23,425,910
Less Accumulated Depreciation	(16,430,086)	(15,892,255)	(16,430,086)
Total Capital Assets (Net of Accumulated Depreciation)	6,995,824	7,187,820	6,995,824
Total Noncurrent Assets	6,995,824	7,187,820	6,995,824
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Deferred Outflow of Resources-Contributions (after 12/31/19)		102,049	
Deferred Outflow of Resources-Contributions (after 12/31/20)	115,236		115,236
Difference in expected and actual earnings		10,759	0
Difference in assumption changes		4,401	0
GASB 75			
Difference in assumption changes	12,790	7,462	12,790
Total Deferred Outflow of Resources	128,026	124,671	128,026
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$12,043,774	\$12,377,215	\$12,043,774

(continued)

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities			
Current Liabilities (Payable from Current Assets)			
Accounts Payable	\$318,737	\$247,848	\$318,737
Accrued Wages	21,143	22,094	21,143
Compensated Absences	27,803	29,488	27,803
Total Current Liabilities	367,683	299,430	367,683
Current Liabilities (Payable from Restricted Assets)			
Consumer Meter Deposits	205,983	196,491	205,983
Total Current Liabilities			
Payable from Restricted Assets	205,983	196,491	205,983
Noncurrent Liabilities			
Net Pension Liability	177,257	218,324	177,257
OPEB Liability	73,111	61,723	73,111
Accrued Closure and Post Closure Care	12,893	12,373	12,893
Total Noncurrent Liabilities	263,261	292,420	263,261
Total Liabilities	836,927	788,341	836,927
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in expected and actual experience	3,482		3,482
Difference in projected and actual earnings	20,624	182,584	20,624
GASB 75			
Differences between expected and actual experience	2,334	1,149	2,334
Total Deferred Inflows of Resources	26,440	183,733	26,440
Invested in Capital Assets, Net of Related Debt	6,995,824	7,187,820	6,995,824
Restricted for:			
Community Development - Expendable	46,539	46,700	46,539
Unrestricted	4,138,044	4,170,621	4,138,044
Total Net Position	\$11,180,407	\$11,405,141	\$11,180,407

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

CITY OF HALLETTSVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
OPERATING REVENUES:			
Charges for Services (Water, Sewer, Solid Waste, and Electric)	\$5,650,921	\$5,658,578	\$5,650,921
Miscellaneous	47,507	44,436	47,507
Total Operating Revenues	<u>5,698,428</u>	<u>5,703,014</u>	<u>5,698,428</u>
OPERATING EXPENSES:			
Personal Services	707,339	1,033,133	707,339
Supplies	16,195	17,079	16,195
Other Services and Charges	3,902,701	3,159,310	3,902,701
Depreciation	537,831	510,306	537,831
Total Operating Expenses	<u>5,164,066</u>	<u>4,719,828</u>	<u>5,164,066</u>
Operating Income (Loss)	<u>534,362</u>	<u>983,186</u>	<u>534,362</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	8,283	21,961	8,283
Total Non-Operating Revenues (Expenses)	<u>8,283</u>	<u>21,961</u>	<u>8,283</u>
Income Before Transfers	542,645	1,005,147	542,645
Federal Grants and Contributions			0
Transfers Out (Net)	<u>(767,379)</u>	<u>(712,993)</u>	<u>(767,379)</u>
Change in Net Position	(224,734)	292,154	(224,734)
Total Net Position - Beginning	11,405,141	11,112,987	11,405,141
Total Net Position - Ending	<u>\$11,180,407</u>	<u>\$11,405,141</u>	<u>\$11,180,407</u>

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

CITY OF HALLETTSVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Cash Flows from Operating Activities			
Receipts from Customers and Users	5,741,628	5,593,091	5,741,628
Payments to Suppliers	(3,958,426)	(3,157,364)	(3,958,426)
Payments to Employees	(900,302)	(847,176)	(900,302)
Net Cash Provided (Used) by Operating Activities	882,900	1,588,551	882,900
Cash Flows from Non-Capital and Related Financing Activities			
Transfers Out	(767,379)	(712,993)	(767,379)
Subsidy from Federal Grant	0	0	0
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(767,379)	(712,993)	(767,379)
Cash Flows from Capital and Related Financing Activities			
Principal Payment on Revenue Bonds, Notes and Capital Leases			0
Purchases of Capital Assets	(345,835)	(558,175)	(345,835)
Net Cash Provided (Used) by Capital and Related Financing Activities	(345,835)	(558,175)	(345,835)
Cash Flows from Investing Activities			
Interest Received	8,283	21,961	8,283
Net Cash Provided (Used) by Investment Activities	8,283	21,961	8,283
Net Increase (Decrease) in Cash Equivalents	(222,031)	339,344	(222,031)
Cash and Cash Equivalents at Beginning of Year	3,991,337	3,651,993	3,991,337
Cash and Cash Equivalents at End of Year	\$3,769,306	\$3,991,337	\$3,769,306

(continued)

Business-Type Activities
Enterprise Funds

	Utility Current Year	Utility Prior Year	Totals Current Year
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$534,362	\$983,186	\$534,362
Adjustments to Reconcile to Net Cash Flow			
Non-Cash Items Included in Net Income			
Depreciation	537,831	510,306	537,831
Changes in Current Items			
Decrease (Increase) in Accounts Receivable	33,708	(113,018)	33,708
Decrease (Increase) in Due from Other Funds	(117,668)	0	(117,668)
Decrease (Increase) in Inventory	6,046	(15,178)	6,046
Decrease (Increase) in Prepaid Expenses	683	(1,885)	683
GASB 68			
Decrease (Increase) Deferred Outflow of Resources-Contributions	(13,187)	(7,235)	(13,187)
Difference in expected and actual experience	14,241	(20,452)	14,241
Difference in projected and actual earnings	(161,960)	384,374	(161,960)
Difference in assumption changes	4,401	(4,401)	4,401
GASB 75			
Difference in expected and actual experience	1,185	898	1,185
Difference in assumption changes	(5,328)	(7,786)	(5,328)
Increase (Decrease) in Accounts Payable	70,889	35,942	70,889
Increase (Decrease) in Accrued Wages	(951)	7,256	(951)
Increase (Decrease) in Compensated Absences	(1,685)	12,447	(1,685)
Increase (Decrease) in Consumer Meter Deposits	9,492	3,095	9,492
Increase (Decrease) in Accrued Closure and Post Closure Care	520	146	520
Increase (Decrease) in Net pension Liability	(41,067)	(192,863)	(41,067)
Increase (Decrease) in Net pension Liability	11,388	13,719	11,388
Net Cash Provided (Used) by Operating Activities	<u>\$882,900</u>	<u>\$1,588,551</u>	<u>\$882,900</u>
	0	0	0
Noncash Investing, Capital, and Financing Activities: None			
Federal Grants and Contributions			<u>\$0</u>

Note: The above funds are all enterprise funds.

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

CITY OF HALLETTSVILLE, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Trust Fund
	<u>Library</u>
	Endowment Fund
ASSETS	
Cash and Cash Equivalents	\$273,760
Receivables (Net of Allowance for Uncollectibles)	18
Due from Other Funds	
Total Assets	<u><u>\$273,778</u></u>
LIABILITIES	
Accounts Payable	
Bank Overdraft	
Due to Others	16,500
Total Liabilities	<u>16,500</u>
NET POSITION	
Held in Trust-Unexpendable	
Held in Trust-Library Purposes	257,278
Total Net Position	<u><u>\$257,278</u></u>

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

CITY OF HALLETTSVILLE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Trust Fund
	Library Endowment Fund
	<u> </u>
ADDITIONS	
Contributions:	
Private Donations	\$1,310
Intergovernmental	
Total Contributions	<u>1,310</u>
Investment Earnings:	
Interest Received	516
Total Investment Earnings	<u>516</u>
Less Investment Expense	<u>0</u>
Net Investment Earnings	<u>516</u>
TOTAL ADDITIONS	<u>1,826</u>
DEDUCTIONS	
Culture and Recreation-Library	1,377
Total Deductions	<u>1,377</u>
Change in Net Position	449
Net Position-Beginning	<u>256,829</u>
Net Position-Ending	<u>\$257,278</u>

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

CITY OF HALLETTSVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

I. Summary of significant accounting policies

A. Reporting entity

The City of Hallettsville, Texas, was incorporated by an election. The City operates under a charter, Manager-Council type of government and provides the following services: public safety (fire and law enforcement), public transportation (streets), health, culture, recreation, public facilities, legal, election functions, and general administrative services. The accounting policies of the City of Hallettsville, Texas, (the City) conform to generally accepted accounting principles. The City also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the City are organized based on funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled.

B. Blended Component Units

The Economic Development funds 4A and 4B were created pursuant to IRS Code section 401. The purpose of these two funds is to promote development in the City. The Districts are reported as special revenue funds and are included as blended component units because the City has operational responsibility for them and manages their activities.

C. Government-wide and fund financial statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, however, those transactions between governmental and business-type activities have not been eliminated. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the Net Position and changes in Net Position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The City’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental fund: The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The sales tax Mft. Dev. 4-A and sales tax Mft. Dev. 4-B funds are used to collect sales taxes to help with tourism and community development. The grant fund is used to administer various grant funds the of City.

E. Proprietary fund financial statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

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 (Water, Sewer, Electric, and Solid Waste) of the Utility Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses. The government reports the following major proprietary funds: The utility fund accounts for the activities of the government's electric, water, sewer, and solid waste operations.

F. Fiduciary Fund Types

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. As such, fiduciary funds are not reported in the government-wide statements. The City's fiduciary funds include the following: The City's library endowment fund is accounted for as a trust fund and is used to help defray the costs of the local public library.

G. Assets, liabilities, and net position or equity

1. Deposits and investments

The government's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government and the District to invest in obligations of the U.S. Treasury. Investments for the government are reported at fair value. For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements unless a right of offset exists. All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at December 31, 2021, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at December 31, 2021, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at December 31, 2021, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at December 31, 2021. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at December 31, 2021, and 10 percent of delinquent outstanding property taxes at December 31, 2021.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

The following were restricted assets at December 31, 2021: Capital Improvements - \$215,276.

5. Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Major capital asset events during the current fiscal year included the following:

The City had street, water, and sewer facility projects.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings	50
Building improvements	20
Public Domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

6. Compensated absences

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

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, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has two items that qualify for reporting in this category. They are amounts deferred under GASB 68 and GASB 75.

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. We have included advanced tax collections and amounts deferred under GASB 68 and GASB 75 as deferred inflows in the fund financial statements.

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the City and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements. We have also included advanced tax collections as deferred inflows in the fund financial statements.

9. Net position flow assumption

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

10. Fund Balances – Governmental Funds

As of December 31, 2021, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Unassigned — all other spendable amounts.

As of December 31, 2021, fund balances are composed of the following:

Fund Balances:	
Nonspendable	
Prepaid Expenses	\$106,798
Restricted	
Community Development	3,382,390
Municipal Court	58,688
Committed	
Community Development	215,650
Public Safety	137,687
Unassigned	<u>1,000,744</u>
Total Fund Balance	<u><u>\$4,901,957</u></u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year-end to be at least equal to 25 to 33 percent of the subsequent year's budgeted General Fund expenditures.

11. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$381,742 difference are as follows:

Net Pension Liability	\$270,268
OPEB Liability	<u>111,474</u>
Total Liabilities	<u><u>\$381,742</u></u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$10,330,001 difference are as follows:

Capital Assets not Being Depreciated	\$2,743,444
Capital Assets Being Depreciated	14,942,647
Accumulated Depreciation	(7,356,090)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u><u>\$10,330,001</u></u>

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position (continued)

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectible.*)" The details of this \$161,521 difference are as follows:

Property Taxes Receivable	\$165,094
Allowance for Doubtful Accounts	<u>(3,573)</u>
Net	<u>\$161,521</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Municipal fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectible.*)" Another element of that reconciliation is retirement deferrals. The details of this \$211,383 difference are as follows:

Fines and Fees receivable	\$237,157
Allowance for Doubtful Accounts	(180,666)
GASB 68	
Deferred Outflow of Resources-Contributions (after 12/31/20)	175,704
Difference in expected and actual experience	(5,309)
Difference in projected and actual earnings	(31,446)
GASB 75	
Difference in expected and actual experience	(3,558)
Difference in Changes in assumptions and other inputs	<u>19,501</u>
Net	<u>\$211,383</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$1,092,465 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$622,554
Capital Outlay - Additions - Being Depreciated	962,336
Capital Outlay - Deletions - Transfer From Construction in Progress	(137,159)
Depreciation Expense	(355,266)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$1,092,465</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The Mayor has been authorized by the council to prepare the budget. He is assisted by the City Secretary. The budget is adopted on budgetary basis in conformity with generally accepted accounting principles. After the budget is prepared, it is reviewed by the City Council. The budget is adjusted by the City Council if desired. Then a final budget is prepared by the Mayor. A public hearing is held on the budget by the City Council. Department heads may appear. Before determining the final budget, the City Council may increase or decrease the amounts requested by the various departments or citizens. Amounts finally budgeted may not exceed the estimate of revenues and available cash. Appropriations lapse at year end.

When the budget is adopted by the City Council, the City Secretary is responsible for monitoring the expenditures of the various departments of the City to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the City Council advised of the conditions of the various funds and accounts. The level of control is the fund. Expenditures can exceed appropriations if they do not exceed available revenues and cash balances. The legal level of control (the level on which the City Council must approve over expenditures) is on an object class basis.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (IE. the level at which expenditures may not legally exceed appropriations) is the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at December 31, 2021.

B. Excess of expenditures over appropriations

For the year ended December 31, 2021, excess of expenditures over appropriations did not occur in any funds except for Sales Tax Mft. Dev. 4-B fund whereby actual expenditures of \$308,888 exceeded budgeted expenditures of \$145,425 by \$163,463.

C. Deficit fund equity

The City had no deficit fund balances as of December 31, 2021.

- IV. Detailed notes on all funds
- A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

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

Deposits:

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City is not exposed to custodial credit risk for its deposits with the city depository (Wells Fargo Bank); and the First National Bank in Shiner, and Crossroads Bank because they are covered by either federal depository insurance (FDIC) or by collateral held by the government's agent in the government's name. The total cash at December 31, 2021 is \$2,090,997. The book amount of cash at December 31, 2021 is \$1,806,038.

The total collateral held by Wells Fargo was \$934,212. The total cash at 12/31/2021 is \$1,048,191. The FDIC coverage is \$250,000.

The First National Bank in Shiner and the Crossroads Bank are not exposed to custodial credit risk because they are covered by either federal depository insurance (FDIC).

The Texas Dow Employees Credit Union has no securities pledged. The total cash at 12/31/2021 is \$750,040. It is uncertain what the FDIC coverage is.

Investments:

The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds.

TexPool and Lonestar Investments use amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. All funds participate in a pooling of cash and investment income to maximize investment opportunities. Each fund may liquidate its equity in the pool on demand.

The City’s investments are authorized by City resolutions, bond ordinances, and State statutes. The City is authorized to invest in obligations of the U.S. Government and its agencies or instrumentalities; direct obligations of Texas and its agencies and instrumentalities; obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating; insured or collateralized certificates of deposit; fully collateralized repurchase agreements; and government pools.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City’s investments by fair value level are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. The City has no Level 1 investments (investments valued using prices quoted in active markets for identical securities) or Level 3 investments (investments valued using significant unobservable inputs). As of December 31, 2021, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>%</u>
TEXPOOL	\$1,948,746	0.08	\$0.26
Lonestar Investments	<u>5,481,046</u>	0.08	<u>\$0.74</u>
Total Fair Value	<u>\$7,429,792</u>		<u>\$1.00</u>
Portfolio Weighted Average Maturity		<u>0.08</u>	

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Concentration of credit risk: The City places no limit on the amount the City may invest in any one issuer. Texpool (26% of portfolio) and Lonestar Investments (74% of portfolio).

Credit Risk. The City’s investment policy is to apply the “prudent investor” standard: “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.” The City’s investments were rated as follows: As of December 31, 2021 the local investment pool - Texpool (26% of portfolio) was rated AAAM by Standard and Poor’s and Lonestar Investments (74% of portfolio) was rated AAA by Standard and Poor’s.

B. Receivables

Receivables as of year end for the government's individual major funds and non-major, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Hotel Occupancy Tax	Sales Tax Mft. Dev. 4-A	Sales Tax Mft. Dev. 4-B	Utility Fund	Total
<u>Receivables</u>						
Taxes						
Property	\$165,094					\$165,094
Sales	55,893		27,948	5,200		89,041
Occupancy		27,947				27,947
Accounts					511,094	511,094
Other	19,363				17,899	37,262
Fines	237,157					237,157
Gross Receivables	477,507	27,947	27,948	5,200	528,993	1,067,595
Less: Allowance for Uncollectibles	184,239				5,095	189,334
Net Total Receivables	\$293,268	\$27,947	\$27,948	\$5,200	\$523,898	\$878,261

C. Capital assets

Capital asset activity for the year ended December 31, 2021, was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$2,027,351			\$2,027,351
Construction in Progress	230,698	622,554	137,159	716,093
Total capital assets not being depreciated:	<u>2,258,049</u>	<u>622,554</u>	<u>137,159</u>	<u>2,743,444</u>
Capital assets being depreciated:				
Building and Improvements	4,182,122	195,524		4,377,646
Machinery, Equipment and Vehicles	1,720,689	690,426	194,923	2,216,192
Infrastructure	8,272,423	76,386		8,348,809
Total capital assets being depreciated:	<u>14,175,234</u>	<u>962,336</u>	<u>194,923</u>	<u>14,942,647</u>
Less: Accumulated Depreciation for:				
Building and Improvements	1,261,658	94,621		1,356,279
Machinery, Equipment and Vehicles	1,465,350	164,328	194,923	1,434,755
Infrastructure	4,468,739	96,317		4,565,056
Total Accumulated Depreciation	<u>7,195,747</u>	<u>355,266</u>	<u>194,923</u>	<u>7,356,090</u>
Total Capital Assets Depreciated, Net	<u>6,979,487</u>	<u>607,070</u>	<u>0</u>	<u>7,586,557</u>
Governmental Activities capital assets, Net	<u>\$9,237,536</u>	<u>\$1,229,624</u>	<u>\$137,159</u>	<u>\$10,330,001</u>

Business-type activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$37,611			\$37,611
Construction in Progress	554,846	340,745	874,721	20,870
Total capital assets not being depreciated:	<u>592,457</u>	<u>340,745</u>	<u>874,721</u>	<u>58,481</u>

Capital assets being depreciated:				
Building and Improvements	66,132			66,132
Machinery, Equipment and Vehicles	2,710,381	5,090		2,715,471
Distribution System	19,711,105	874,721		20,585,826
Total capital assets being depreciated:	<u>22,487,618</u>	<u>879,811</u>	<u>0</u>	<u>23,367,429</u>

Less: Accumulated Depreciation for:				
Building and Improvements	66,132	0		66,132
Machinery, Equipment and Vehicles	2,538,484	78,221		2,616,705
Distribution System	13,287,639	459,610		13,747,249
Total Accumulated Depreciation	<u>15,892,255</u>	<u>537,831</u>	<u>0</u>	<u>16,430,086</u>
Total Capital Assets Depreciated, Net	<u>6,595,363</u>	<u>341,980</u>	<u>0</u>	<u>6,937,343</u>
Business-type activities capital assets, net	<u>\$7,187,820</u>	<u>\$682,725</u>	<u>\$874,721</u>	<u>\$6,995,824</u>

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

Governmental Activities	
General Administration	\$25,864
Public Facility	2,546
Public Safety	74,162
Public Transportation	142,861
Culture and Recreation	<u>109,833</u>
Total Depreciation Expense - Governmental Activities	<u>\$355,266</u>
Business-Type Activities	
Electric	\$38,382
Water	387,717
Sewer	72,518
Solid Waste	21,204
Administration	<u>18,010</u>
Total Depreciation Expense - Business-Type Activities	<u>\$537,831</u>

Construction commitments: The City had street, water, and sewer facility projects.

D. Inter-fund receivables, payables, and transfers

Transfer to/from other funds at December 31, 2021, are as follows:

TRANSFER TO	TRANSFER FROM			TOTAL
	ECONOMIC DEVELOPMENT FUND 4A	ECONOMIC DEVELOPMENT FUND 4B	UTILITY FUND	
	GENERAL FUND	\$16,400	\$164,788	
TOTALS	<u>\$16,400</u>	<u>\$164,788</u>	<u>\$767,379</u>	<u>\$948,567</u>

TRANSFER TO	TRANSFER FROM		TOTAL
	ECONOMIC DEVELOPMENT FUND 4A	ECONOMIC DEVELOPMENT FUND 4B	
	GENERAL FUND	\$16,400	
TOTALS	<u>\$16,400</u>	<u>\$164,788</u>	<u>\$181,188</u>

The transfers of \$16,400 from each of the economic development funds were for administration and are recurring. The transfer of \$80,764 is from the grant fund is for construction and is not recurring. The amount from the utility fund was for administration and is recurring. All amounts below are for administration and are expected to be repaid within the following year.

DUE TO	DUE FROM	
	GENERAL FUNDS	TOTAL
UTILITY FUND	\$225,233	\$225,233
SALES TAX MFG. DEV. 4-B	440	440
SALES TAX MFG. DEV. 4-B	440	440
NON-MAJOR FUNDS	50,204	50,204
TOTALS	<u>\$276,317</u>	<u>\$276,317</u>

E. Leases

Operating Leases

The government leases equipment under noncancelable operating leases. Total costs for such leases were \$685 for the year ended December 31, 2021. The future minimum lease payments for these leases are as follows:

<u>Year Ending Dec. 31</u>	<u>Amount</u>
2022	\$ 671
2023	671
2024	671
2025	671
2026	<u>503</u>
Total	<u>\$ 3,187</u>

Rent expenditures were \$1,594 for the year ended December 31, 2021. Sublease rental income was \$0 for the year ended December 31, 2021. Rental income was \$88,129 for the year ended December 31, 2021.

F. Long-term debt

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
Compensated Absences	\$41,432	\$41,621	\$41,432	\$41,621	\$41,621	\$0
Net Pension Liability	342,058		71,790	270,268		270,268
OPEB Liability	96,703	14,771		111,474		111,474
	<u>480,193</u>	<u>56,392</u>	<u>113,222</u>	<u>423,363</u>	<u>41,621</u>	<u>381,742</u>
<u>Business-Type Activities:</u>						
Compensated Absences	29,488	27,803	29,488	27,803	27,803	0
Net Pension Liability	218,324		41,067	177,257		177,257
OPEB Liability	61,723	11,388		73,111		73,111
	<u>309,535</u>	<u>39,191</u>	<u>70,555</u>	<u>278,171</u>	<u>27,803</u>	<u>250,368</u>
Grand Total	<u>\$789,728</u>	<u>\$95,583</u>	<u>\$183,777</u>	<u>\$701,534</u>	<u>\$69,424</u>	<u>\$632,110</u>

The general fund and the utility fund are used to service the compensated absences and net pension liabilities. The estimated amount due in the 2021 year is \$69,424. The government-wide statement of activities includes \$69,424 as "noncurrent liabilities, due within one year". There was no interest expense.

V. Other information

A. 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. Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage, and subrogation).

Changes in accrued liabilities for these claims follow:

	Year ended <u>12/31/21</u>	Year ended <u>12/31/20</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)		
Claim payments	<u>-0-</u>	<u>-0-</u>
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

General Liability Insurance

The City is insured for general, police officers and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred.

The City has joined together with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims more than \$500,000 to \$1,000,000 for each insurance event. The City anticipates no contingent losses.

TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The City carries commercial fidelity bonds for elected officials and for management.

Property and Casualty Insurance

Property, casualty, mobile equipment, boiler, and machinery insurance is provided by TML.

Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

Group Health and Life Insurance

The City maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

Unemployment Compensation Insurance

The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

B. Related party transaction

Bobby Stratman is the Wastewater Treatment Plant Operator and President of the Hallettsville Golf Association. The Golf Association pays half of the fees/etc. in return for City maintaining grounds.

Tammy Bell (Finance/HR) is married to Keith Bell, who is a driver for Texas Disposal Service who the City uses for garbage disposal services.

Donna Dornak (Permits/AP) is married to Larry Dornak, who is leases a hay lease from the City. Mr. Dornak paid the City \$1,400.00 for FY 2021.

There were no amounts due to or from the City as of December 31, 2021.

C. Subsequent events

On January 18, 2022, the City approved the purchase of a 2022 Tahoe for the Police Department for the total invoices price of \$58,487.75. The City awarded the construction contract for the TxCDBG Grant #7220179 water system improvement project to Supak in the amount of \$235,630.00.

On May 16, 2022, the City approved the AMI water meter upgrade project in the amount of \$709,297.84, the City will put \$128,861.38 in the 2023 budget to cover what the grant does not.

D. Contingent liabilities

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

The government is not a defendant in any lawsuits at the end of the year.

E. Defined Benefit Pension Plans

EXECUTIVE SUMMARY

Actuarial Valuation and Measurement Date, December 31,	2020	2019
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	25	25
- Inactive employees entitled to but not yet receiving benefits	18	17
- Active employees	35	32
- Total	<u>78</u>	<u>74</u>
Covered Payroll	\$1,529,984	\$1,487,686
Net Pension Liability		
Total Pension Liability	\$8,707,982	\$8,293,848
Plan Fiduciary Net Position	<u>8,260,457</u>	<u>7,733,466</u>
Net Pension Liability/(Asset)	\$447,525	\$560,382
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.86%	93.24%
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	29.25%	37.67%
Development of the Single Discount Rate		
Single Discount Rate	6.75%	6.75%
Long-Term Expected Rate of Return	6.75%	6.75%
Long-Term Municipal Bond Rate	2.00%	2.75%
Last year ending December 31 in the 100-year projection period for which projected benefit payments are fully funded	N/A	N/A

SCHEDULE OF PENSION EXPENSE

1	Total Service Cost	\$184,363
2	Interest on the Total Pension Liability	555,466
3	Changes in Current Period Benefits Including Substantively Automatic Status	0
4	Employee Contributions (Reduction of Expense)	(76,499)
5	Projected Earnings on Plan Investments (Reduction of Expense)	(522,009)
6	Administrative Expense	3,798
7	Other Changes in Fiduciary Net Position	148
8	Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(3,096)
9	Recognition of Current Year Outflow (Inflow) of Resources-Assets	(13,017)
10	Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	(19,346)
11	Amortization of Prior Year Outflows (Inflows) of Resources-Assets	(69,459)
12	Total Pension Expense (Income)	<u>\$40,349</u>

A.	Recognition Period (or amortization year)	Total (Inflow) or Outflow of Resources	2020 Recognized in current pension expense	Deferred (Inflow)/Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	3.84	(\$11,887.00)	(\$3,096.00)	(\$8,791)
Change in assumptions [actuarial (gains) or losses]	3.84	0	0	0
			<u>(\$3,096.00)</u>	<u>(\$8,791.00)</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5	(\$585,806.00)	(\$13,017.00)	(\$52,070)
			<u>(\$13,017.00)</u>	<u>(\$52,070)</u>
<u>Total:</u>				<u><u>(\$60,861)</u></u>

B. Deferred Outflows and Deferred Inflows of Resources by Year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2021	(\$85,852)
2022	12,716
2023	(130,120)
2024	(13,019)
2025	0
Thereafter	0
Total	<u>(\$216,275)</u>

Note to City:

GASB 68 requires 10 fiscal years of data to be provided in the Schedule of Contributions; the City will build this report over the next 10-year period. The data in this schedule is based on the City's fiscal year-end, not the valuation/measurement date as provided in other schedules of this report.

The Actuarially Determined Contribution (ADC) dollar amount can be calculated by multiplying the City's Full Retirement Rate (excludes portion of rate for Supplemental Death Benefits Fund) by the applicable payroll amount (for payroll, cities can use "gross earnings" as noted on line 1 of their TMRS-3 "Summary of Monthly Payroll Report"). The applicable months for the City's fiscal year are summed to determine the total ADC. Actual contribution amounts (employer-portion) remitted to TMRS will equal the "contributions in relation to ADC", with the deficiency/(excess) result then calculated. Covered payroll is the sum of the "gross earnings" for the applicable months of the TMRS-3 reports.

For additional detailed information, please reference the TMRS "GASB 68 Employer Reporting Guide."

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$1,571,900	\$447,525	(\$487,434)

SUMMARY OF ACTUARIAL ASSUMPTIONS

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

I. Economic Assumptions

A. General Inflation — General Inflation is assumed to be 2.50% per year.

B. Discount/Crediting Rates

1. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers.
2. Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

C. Overall Payroll Growth — 2.75% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2008 to 2018, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

D. Individual Salary Increases —

Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

Years of Service	Rate (%)
1	11.50%
2	7.25%
3	6.75%
4	6.25%
5	6.00%
6	5.75%
7	5.50%
8	5.25%
9	5.00%
10	4.75%
11-12	4.50%
13-15	4.25%
16-20	4.00%
21-24	3.75%
25+	3.50%

- E. Annuity Increase - The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Hallettsville annual annuity increases of 1.86% are assumed when calculating the TPL.
- F. Load for Updated Service Credit – To reflect the asymmetric nature of the credits due to the USC provision, there is a load on the final average earnings used in the calculation of 0.1% per year into the future that the calculation is performed.

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Hallettsville the base table is then multiplied by a factor of 82.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire — 68%, 2) Police - 86%, or 3) Other - 108%. A sample of the base rates follows:

Males

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3079	0.2766	0.2305	0.2037	0.1951	0.1764	0.1612	0.1311	0.1078	0.0860
25	0.2798	0.2393	0.1911	0.1638	0.1507	0.1336	0.1210	0.1060	0.0976	0.0798
30	0.2585	0.2163	0.1697	0.1395	0.1138	0.1052	0.0945	0.0817	0.0785	0.0655
35	0.2642	0.2183	0.1663	0.1334	0.1107	0.1048	0.0894	0.0758	0.0655	0.0598
40	0.2602	0.2172	0.1647	0.1279	0.1103	0.0994	0.0849	0.0749	0.0633	0.0608
45	0.2392	0.2040	0.1640	0.1287	0.1110	0.0976	0.0857	0.0750	0.0638	0.0607
50	0.2191	0.1825	0.1489	0.1211	0.1072	0.0935	0.0851	0.0755	0.0636	0.0609
55	0.2112	0.1759	0.1334	0.1132	0.0908	0.0911	0.0813	0.0719	0.0643	0.0591
60	0.2108	0.1626	0.1298	0.1118	0.0833	0.0915	0.0794	0.0721	0.0602	0.0579
65	0.2109	0.1542	0.1305	0.1121	0.0847	0.0914	0.0798	0.0738	0.0577	0.0581
70	0.2109	0.1557	0.1304	0.1121	0.0845	0.0914	0.0797	0.0735	0.0581	0.0581

Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3080	0.2836	0.2258	0.2132	0.2030	0.2054	0.1561	0.1565	0.1590	0.1600
25	0.2828	0.2449	0.2101	0.1995	0.1739	0.1690	0.1392	0.1375	0.1206	0.1144
30	0.2617	0.2224	0.1981	0.1791	0.1369	0.1370	0.1297	0.1145	0.0989	0.0817
35	0.2464	0.2153	0.1834	0.1462	0.1294	0.1258	0.1130	0.1103	0.1016	0.0782
40	0.2281	0.2026	0.1641	0.1365	0.1316	0.1115	0.1040	0.0940	0.0847	0.0745
45	0.2227	0.1884	0.1450	0.1359	0.1072	0.1034	0.0909	0.0797	0.0717	0.0737
50	0.2238	0.1823	0.1369	0.1249	0.0901	0.0896	0.0837	0.0735	0.0686	0.0628
55	0.2236	0.1766	0.1372	0.1218	0.0848	0.0819	0.0725	0.0717	0.0696	0.0560
60	0.2236	0.1548	0.1372	0.1191	0.0811	0.0856	0.0656	0.0649	0.0436	0.0386
65	0.2236	0.1454	0.1372	0.1169	0.0813	0.0871	0.0678	0.0603	0.0281	0.0285
70	0.2236	0.1471	0.1372	0.1173	0.0813	0.0868	0.0675	0.0611	0.0308	0.0303

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Hallettsville the base table is then multiplied by a factor of 82.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire — 54%, 2) Police — 83%, or 3) Other — 113%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.82%	2.34%
2	2.43%	3.15%
3	2.87%	3.75%
4	3.24%	4.25%
5	3.55%	4.67%
6	3.83%	5.06%
7	4.08%	5.40%
8	4.32%	5.72%
9	4.53%	6.02%
10	4.74%	6.30%
11	4.93%	6.57%
12	5.11%	6.82%
13	5.28%	7.06%
14	5.45%	7.28%
15	5.60%	7.50%

Termination rates end at first eligibility for retirement

- B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1 ½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	40.2%
30	40.2%
35	40.2%
40	37.0%
45	31.6%
50	26.1%
55	20.7%

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% 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.

E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the 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 by Scale UMP to account for future mortality improvements.

F. Annuity Purchase Rates

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) until 2027 are based on a mortality study performed in 2013, with the factors phasing into being based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. The current table of APRs is explicitly valued through 2032 and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries.

G. Disability Rates

Age	Males & Females
20	0.000003
25	0.000019
30	0.000074
35	0.000194
40	0.000371
45	0.000603
50	0.000891
55	0.001235
60	0.001635
65	0.002090

H. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary age. These rates are adjusted then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	
<50	0.05
50-51	0.07
52-54	0.08
55-59	0.13
60	0.16
61	0.17
62	0.25
63-64	0.20
65-74	0.30
75 and over	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1-1	0.75	0.80	0.84
1.5-1	0.81	0.86	0.92
2-1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 95%

III. *Methods and Assumptions*

- A. Valuation of Assets — The actuarial value of assets is based on the market value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 12% corridor around the market value of assets, if necessary.
- B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated. The unfunded actuarial accrued liability is paid off in accordance with a specified amortization procedure outlined in C below.
- C. Amortization Policy: For "underfunded" cities the amortization as of the valuation date is a level percentage of payroll over a closed period using the process of "laddering". Bases that existed prior to this valuation continue to be amortized on their original schedule. For cities with twenty or more employees new experience losses are amortized over individual periods of not more than 25 years. Beginning December 31, 2020, new loss bases for cities with fifteen or more employees will be amortized over individual periods of not more than 20 years. New gains (including lump sum contributions) are offset against and amortized over the same period as the current largest outstanding loss base for the specific City which in turn decreases contribution rate volatility.

Once a City reaches an "overfunded" status, all prior bases are erased and an amount of the surplus is credited against the contribution rate to keep the funded ratio constant year over year.

Ad hoc benefit enhancements are amortized over individual periods using a level dollar policy. The period will be based on the minimum of 12 years or the current life expectancy of the covered group. However, if the non-ad hoc (level percent) amortization factor is smaller due to a shorter amortization period based on the employer's size, as described below, ad hoc enhancements will be amortized the same as any other loss.

- D. **Small City Methodology** For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 110% for employers with less than 100 members.

There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%).

For underfunded plans, the maximum period for amortizing losses is decreased by 1 year for each active member less than the 20 member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use $(25-(20-8)) = 13$ year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be $25-(20-1) = 6$ years. Once the plan is overfunded, the amortization period will revert back to the standard policy. Beginning December 31, 2020, the member threshold will be lowered to 15 to be consistent with the decrease in the standard amortization period to 20.

IV. *Other Assumptions*

1. Valuation payroll (used for determining the amortization contribution rate): A weighted average of the actual payroll during the prior fiscal years, with 33% weight given to the most recent year and 67% weight given to the expected payroll for the previous fiscal year, moved forward with one year's payroll growth rate and adjusted for changes in population.
2. Individual salaries used to project benefits: For members with more than three years of service, actual salaries from the past three fiscal years are used to determine the USC final average salary as of the valuation date. For future salaries, this three-year average is projected forward with two years of salary scale to create the salary for the year following the valuation. This value is then projected with normal salary scales.
3. Timing of benefit payments: Benefit payments are assumed to be made in the middle of the month. Although TMRS benefits are paid at the end of the month, eligibility for that payment is determined at the beginning of the month. A middle of month payment approximates the impact of the combination of eligibility determination and actual payment timing.
4. Percent married: 100% of the employees are assumed to be married.
5. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.

6. Optional Forms: All healthy and disabled members are assumed to choose a 50% Joint and Survivor option when they retire. For healthy members, this is approximated by reducing the benefit payment by a factor equal to 2.1% at age 60 (with adjustments by age). The 2.1% is effective for the 2019 calendar year and will reduce by 10% each year until the phase into the APR rates is complete, at which time there will be no need for such factor.
7. Percent electing annuity on death (when eligible): For vested members not eligible for retirement, 75% of the spouses of male members and 70% of the spouses of female members are assumed to commence an immediate benefit in lieu of a deferred annuity or a refund. Those not electing an immediate benefit are assumed to take a refund. All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity that commences immediately.
8. Partial Lump Sum Utilization: It is assumed that each member at retirement will withdraw 40% of their eligible account balance.
9. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(H).
10. There will be no recoveries once disabled.
11. No surviving spouse will remarry and there will be no children's benefit.
12. Decrement timing: Decrements of all types are assumed to occur mid-year.
13. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
14. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
15. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
16. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.
17. The decrement rates for service-related decrements are based on total TMRS eligibility service.

V. Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service, salary, employee contribution account balances, as well as the data used in the next calculation of the Updated Service Credit (USC). For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, form of payment code, and aggregate increase in the CPI that will be used in the next calculation of the cost of living adjustment.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Actual CPI is used to model the wear-away effect or “catch-up” when a city changes its COLA provisions. Adjustments are made for members who have service both in a city with “20 and out” retirement eligibility and one that hasn’t adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

Amortization Schedule

Deferred (Inflows)/Outflows of Resources

Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	Measurement Year							
		2020	2021	2022	2023	2024	2025	Thereafter	

Due to Liabilities:

difference in experiences (inflows)/outflows

2020	3.84	(\$11,887)	(\$3,096)	(\$3,096)	(\$3,096)	(\$2,599)	\$0	\$0	\$0
2019	3.22	27,615	8,576	8,576	8,576	1,887	0	0	0
2018	2.15	(17,723)	(8,244)	(8,244)	(1,235)	0	0	0	0
2017	1.23	(22,574)	(18,352)	(4,222)	0	0	0	0	0
2016	1.00	(4,834)	(4,834)	0	0	0	0	0	0
Total			(\$25,950)	(\$6,986)	\$4,245	(\$712)	\$0	\$0	\$0

change in assumptions (inflows)/outflows

2019	3.22	\$11,295	\$3,508	\$3,508	\$3,508	\$771	\$0	\$0	\$0
Total			\$3,508	\$3,508	\$3,508	\$771	\$0	\$0	\$0

Due to Assets:

excess investment returns (inflows)/outflows

2020	5.00	(\$65,087)	(\$13,017)	(\$13,017)	(\$13,017)	(\$13,017)	(\$13,019)	\$0	\$0
2019	4.00	(468,645)	(117,161)	(117,161)	(117,161)	(117,162)	0	0	0
2018	3.00	405,419	135,139	135,139	135,141	0	0	0	0
2017	2.00	(174,668)	(87,333)	(87,335)	0	0	0	0	0
2016	1.00	(104)	(104)	0	0	0	0	0	0
Total			(\$82,476)	(\$82,374)	\$4,963	(\$130,179)	(\$13,019)	\$0	\$0

F. GASB 75 Information

Actuarial and Financial Schedules

Actuarial Valuation and Measurement Date, December 31,	2020
Membership	
Number of	
-Inactive employees currently receiving benefits	20
-Inactive employees entitled to but not yet receiving benefits	7
-Active employees	35
-Total	<u>62</u>
Covered Payroll	\$1,529,984
Changes in the Total OPEB Liability	
Total OPEB Liability - beginning of year	\$158,426
Changes for the year	
Service cost	5,049
Interest on Total OPEB Liability	4,407
Changes of benefit term	0
Differences between expected and actual experience	(4,612)
Changes in assumptions or other inputs	22,692
Benefit payments	<u>(1,377)</u>
Net changes	<u>26,159</u>
Total OPEB Liability - end of year	\$184,585
Total OPEB Liability as a Percentage of Covered Payroll	12.06%

Summary of Actuarial Assumptions:

Inflation	2.5%
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.

Note: 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.

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

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB liability	\$222,298	\$184,585	\$155,222

OPEB Expense:

Service cost	\$5,049
Interest on total OPEB Liability	4,407
Changes in benefit terms	0
Employer administrative costs	0
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(1,669)
Changes in assumptions or other inputs	9,555
Total OPEB expense	<u>\$17,342</u>

Deferred (Inflows)/Outflows of Resources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (5,892)	\$ 0
Changes in assumptions and other inputs	0	32,291
Contributions made subsequent to measurement date	N/A	NONE
Total (excluding contributions made subsequent to measurement date)	\$ (5,892)	\$ 32,291

Note: The City shall include contributions made subsequent to the measurement date through the City's fiscal year end as deferred outflows of resources.

Schedule of Outflows and Inflows - Current and future expense

	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	2019 Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	4.82	(\$4,612)	(\$957)	(\$3,655)
Change in assumptions [actuarial (gains) or losses]	4.82	22,692	4,708	17,984
Contributions made subsequent to measurement date				
Total (excluding city provided contributions made subsequent to measurement date):				\$14,329

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

	Net Deferred Outflows/ (Inflows) of resources
2021	\$7,886
2022	6,569
2023	7,323
2024	4,621
2025	0
Thereafter	0
	\$26,399

Amortization Schedule - Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	2020	2021	2022	2023	2024	2025	Thereafter
difference in experience (inflows)/outflows									
2020	4.82	(\$4,612)	(\$957)	(\$957)	(\$957)	(\$957)	(\$784)	\$0	\$0
2019	4.38	(2,433)	(555)	(555)	(555)	(555)	(213)	0	0
2018	3.28	(516)	(157)	(157)	(157)	(45)	0	0	0
		Total	(\$1,669)	(\$1,669)	(\$1,669)	(\$1,557)	(\$997)	\$0	\$0
change in assumptions (inflows)/outflows									
2020	4.82	\$22,692	\$4,708	\$4,708	\$4,708	\$4,708	\$3,860	\$0	\$0
2019	4.38	20,246	4,622	4,622	4,622	4,622	1,758	0	0
2018	3.28	(5,256)	(1,602)	(1,602)	(1,602)	(450)	0	0	0
2017	2.28	4,164	1,827	1,827	510	0	0	0	0
		Total	\$9,555	\$9,555	\$8,238	\$8,880	\$5,618	\$0	\$0

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

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2021	0.39%	0.28%
2020	0.28%	0.09%
2019	0.27%	0.08%
2018	0.28%	0.08%
2017	0.27%	0.08%

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer’s yearly contributions for retirees.

Note 2: In order to determine the retiree portion of the City’s Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:

$$\text{Total covered payroll} * \text{Retiree Portion of SDB Contribution (Rate)}$$

Consideration should be given to the time period of contributions incurred (i.e., City’s fiscal year vs. calendar year) to ensure the proper contribution rate is utilized in the above calculation.

Actuarial Assumptions

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

I. Economic Assumptions

- A. General Inflation – General Inflation is assumed to be 2.50% per year.
- B. Discount Rates – Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of the measurement date.
- C. Individual Salary Increases – Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

<u>Years of Service</u>	<u>Rate (%)</u>
1	11.50%
2	7.25%
3	6.75%
4	6.25%
5	6.00%
6	5.75%
7	5.50%
8	5.25%
9	5.00%
10	4.75%
11-12	4.50%
13-15	4.25%
16-20	4.00%
21-24	3.75%
25+	3.50%

II. Demographic Assumptions

A. Termination Rates

- For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Hallettsville the base table is then multiplied by a factor of 82.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 68%, 2) Police - 86%, or 3) Other - 108%. A sample of the base rates follows:

Males

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3079	0.2766	0.2305	0.2037	0.1951	0.1764	0.1612	0.1311	0.108	0.0860
25	0.2798	0.2393	0.1911	0.1638	0.1507	0.1336	0.1210	0.1060	0.0976	0.0798
30	0.2585	0.2163	0.1697	0.1395	0.1138	0.1052	0.0945	0.0817	0.0785	0.0655
35	0.2642	0.2183	0.1663	0.1334	0.1107	0.1048	0.0894	0.0758	0.0655	0.0598
40	0.2602	0.2172	0.1647	0.1279	0.1103	0.0994	0.0849	0.0749	0.0633	0.0608
45	0.2392	0.2040	0.1640	0.1287	0.1110	0.0976	0.0857	0.0750	0.0638	0.0607
50	0.2191	0.1825	0.1489	0.1211	0.1072	0.0935	0.0851	0.0755	0.0636	0.0609
55	0.2112	0.1759	0.1334	0.1132	0.0908	0.0911	0.0813	0.0719	0.0643	0.0591
60	0.2108	0.1626	0.1298	0.1118	0.0833	0.0915	0.0794	0.0721	0.0602	0.0579
65	0.2109	0.1542	0.1305	0.1121	0.0847	0.0914	0.0798	0.0738	0.0577	0.0581
70	0.2109	0.1557	0.1304	0.1121	0.0845	0.0914	0.0797	0.0735	0.0581	0.0581

Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3080	0.2836	0.2258	0.2132	0.2030	0.2054	0.1561	0.1565	0.1590	0.1600
25	0.2828	0.2449	0.2101	0.1995	0.1739	0.1690	0.1392	0.1375	0.1206	0.1144
30	0.2617	0.2224	0.1981	0.1791	0.1369	0.1370	0.1297	0.1145	0.0989	0.0817
35	0.2464	0.2153	0.1834	0.1462	0.1294	0.1258	0.1130	0.1103	0.1016	0.0782
40	0.2281	0.2026	0.1641	0.1365	0.1316	0.1115	0.1040	0.0940	0.0847	0.0745
45	0.2227	0.1884	0.1450	0.1359	0.1072	0.1034	0.0909	0.0797	0.0717	0.0737
50	0.2238	0.1823	0.1369	0.1249	0.0901	0.0896	0.0837	0.0735	0.0686	0.0628
55	0.2236	0.1766	0.1372	0.1218	0.0848	0.0819	0.0725	0.0717	0.0696	0.0560
60	0.2236	0.1548	0.1372	0.1191	0.0811	0.0856	0.0656	0.0649	0.0436	0.0386
65	0.2236	0.1454	0.1372	0.1169	0.0813	0.0871	0.0678	0.0603	0.0281	0.0285
70	0.2236	0.1471	0.1372	0.1173	0.0813	0.0868	0.0675	0.0611	0.0308	0.0303

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Hallettsville the base table is then multiplied by a factor of 82.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 54%, 2) Police – 83%, or 3) Other – 113%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.82%	2.34%
2	2.43%	3.15%
3	2.87%	3.75%
4	3.24%	4.25%
5	3.55%	4.67%
6	3.83%	5.06%
7	4.08%	5.40%
8	4.32%	5.72%
9	4.53%	6.02%
10	4.74%	6.30%
11	4.93%	6.57%
12	5.11%	6.82%
13	5.28%	7.06%
14	5.45%	7.28%
15	5.60%	7.50%

Termination rates end at first eligibility for retirement

- B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	40.2%
30	40.2%
35	40.2%
40	37.0%
45	31.6%
50	26.1%
55	20.7%

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

D. Disabled Annuitant Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% 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.

E. Pre-Retirement Mortality

For calculating the OPEB liability and the contribution rates, the 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 by Scale UMP to account for future mortality improvements.

F. Disability Rates

Age	Males & Females
20	0.000003
25	0.000019
30	0.000074
35	0.000194
40	0.000371
45	0.000603
50	0.000891
55	0.001235
60	0.001635
65	0.002090

G. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	
<50	0.05
50-51	0.07
52-54	0.08
55-59	0.13
60	0.16
61	0.17
62	0.25
63-64	0.20
65-74	0.30
75 and over	1.00

Note: For cities without a 20-year/any age retirement provision, the rates are loaded by 50% for ages 60 & below with 25 or more years of service.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1 – 1	0.75	0.80	0.84
1.5 – 1	0.81	0.86	0.92
2 – 1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 95%

III. Methods and Assumptions

- A. Valuation of Assets – For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
- B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member’s compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.
- C. Supplemental Death Benefit – The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Fund, the SDB rate for retiree coverage is currently only one-third of the total term cost. Beginning January 2021, the SDB rate for retirees will be based on the full term cost.

IV. Other Assumptions

- 1. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(G).
- 2. There will be no recoveries once disabled.
- 3. Decrement timing: Decrements of all types are assumed to occur mid-year.

4. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
5. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
6. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
7. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.
8. The decrement rates for service-related decrements are based on total TMRS eligibility service.

V. *Participant Data*

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service and salary. For retired members, the data included date of birth, gender and date of retirement.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Adjustments are made for members who have service both in a city with “20 and out” retirement eligibility and one that hasn’t adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

REQUIRED SUPPLEMENTARY INFORMATION

	2020	2019	2018	2017	2016
A. Total pension liability					
1. Service Cost	\$184,363	\$176,886	\$174,312	\$175,461	\$170,705
2. Interest (on the Total Pension Liability)	555,466	524,274	498,923	479,223	458,080
3. Changes of benefit terms	0	0	0	0	0
4. Difference between expected and actual experience	(11,887)	36,191	(34,211)	(77,630)	(37,062)
5. Changes of assumptions	0	14,803	0	0	0
6. Benefit payments, including refunds of employee contributions	(313,808)	(273,760)	(255,735)	(313,503)	248,241
7. Net change in total pension liability	414,134	478,394	383,289	263,551	343,482
8. Total pension liability -- beginning	8,293,848	7,815,454	7,432,165	7,168,614	6,825,132
9. Total pension liability - ending	<u>\$8,707,982</u>	<u>\$8,293,848</u>	<u>\$7,815,454</u>	<u>\$7,432,165</u>	<u>\$7,168,614</u>
B. Plan fiduciary net position					
1. Contributions - employer	181,150	176,059	184,709	187,021	170,421
2. Contributions - employee	76,499	73,906	73,364	73,170	71,614
3. Net investment income	587,096	1,039,653	(207,703)	851,122	389,413
4. Benefit payments, including refunds of employee contributions	(313,808)	(273,760)	(255,735)	(313,503)	(248,241)
5. Administrative Expense	(3,798)	(5,873)	(4,014)	(4,410)	(4,397)
6. Other	(148)	(176)	(210)	(224)	(237)
7. Net change in plan fiduciary net position	526,991	1,009,808	(209,590)	793,177	378,573
8. Plan fiduciary net position - beginning	7,733,466	6,723,658	6,933,248	6,140,071	5,761,498
9. Plan fiduciary net position - ending	<u>\$8,260,457</u>	<u>\$7,733,466</u>	<u>\$6,723,658</u>	<u>\$6,933,248</u>	<u>\$6,140,071</u>
C. Net pension liability (A.9 - B.9)	<u>\$447,525</u>	<u>\$560,382</u>	<u>\$1,091,796</u>	<u>\$498,917</u>	<u>\$1,028,543</u>
D. Plan fiduciary net position as a percentage of the total pension liability (Item B.9/Item A.9)	94.86%	93.24%	86.03%	93.29%	85.65%
E. Covered-employee payroll (B.9 / A.9)	\$1,529,984	\$1,487,686	\$1,467,274	\$1,463,395	\$1,414,290
F. Net pension liability/(asset) as a percentage of covered employee payroll	29.25%	37.67%	74.41%	34.09%	72.73%

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

	2017	2018	2019	2020
Actuarially Determined Contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions in relation to the actuarially determined contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contribution deficiency (excess)	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Covered payroll	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions as a percentage of covered payroll	xx.xx%	xx.xx%	xx.xx%	xx.xx%

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 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City’s plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee tables 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.

OPEB Retirement System Information:

OPEB Plans

Changes in the Total OPEB Liability

Changes for the year	2020	2019
1. Service Cost	\$5,049	\$4,314
2. Interest on Total OPEB Liability	4,407	4,829
3. Changes of benefit terms including TMRS plan participation	0	0
4. Difference between expected and actual experience	(4,612)	(2,988)
5. Changes in assumptions or other inputs	22,692	24,868
6. Benefit payments	(1,377)	(1,190)
7. Net changes	26,159	29,833
Total OPEB Liability - beginning of year	158,426	128,593
Total OPEB Liability - end of year	<u>\$184,585</u>	<u>\$158,426</u>
Covered-employee payroll	\$1,529,984	\$1,487,686
Total OPEB Liability as a Percentage of Covered Payroll	12.06%	10.65%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF HALLETTSVILLE, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2021

	SPECIAL REVENUE				TOTAL
	FIRE TRUCK FUND	FRIENCH SIMPSON MEMORIAL LIBRARY	HOTEL OCCUPANCY TAX	VOLUNTEER FIREMEN PENSION	
ASSETS					
Cash and Cash Equivalents	\$53,142	\$79,909	\$68,864	\$34,341	\$236,256
Receivables (Net of Allowance for Uncollectibles)					0
Prepaid Expenses					0
Due from Other Funds	50,204				50,204
Total Assets	\$103,346	\$79,909	\$68,864	\$34,341	\$286,460
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable		\$22	\$21,313		\$21,335
Due to Other Funds					0
Bank Overdraft					0
Total Liabilities	0	22	21,313	0	21,335
Fund Balances					
Nonspendable					
Prepaid Expenses					0
Restricted					
Community Development		79,887	47,551		127,438
Committed					
Public Safety	103,346			34,341	137,687
Unassigned					0
Total Fund Balances	103,346	79,887	47,551	34,341	265,125
TOTAL LIABILITIES AND FUND BALANCES	\$103,346	\$79,909	\$68,864	\$34,341	\$286,460

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

CITY OF HALLETTSVILLE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021

	SPECIAL REVENUE				TOTAL
	FIRE TRUCK FUND	FRIENCH SIMPSON MEMORIAL LIBRARY	HOTEL OCCUPANCY TAX	VOLUNTEER FIREMEN PENSION	
<i>REVENUES</i>					
Taxes					
Sales					\$0
Hotel Occupancy			41,830		41,830
Intergovernmental		26,955			26,955
Interest	57		68	34	159
Miscellaneous	9,999				9,999
Total Revenues	10,056	26,955	41,898	34	78,943
<i>EXPENDITURES</i>					
Current:					
General Administration					
Community Development		11,614			11,614
Public Safety					
Fire				200	200
Culture and Recreation					
Tourism			59,130		59,130
Total Expenditures	0	11,614	59,130	200	70,944
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,056	15,341	(17,232)	(166)	7,999
<i>OTHER FINANCING SOURCES (USES):</i>					
Operating Transfers In					0
Operating Transfers Out					0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Changes in Fund Balances	10,056	15,341	(17,232)	(166)	7,999
Fund Balances - Beginning	93,290	64,546	64,783	34,507	257,126
Fund Balances - Ending	\$103,346	\$79,887	\$47,551	\$34,341	\$265,125

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