

ANNUAL FINANCIAL REPORT

CITY OF HALE CENTER, TEXAS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

CITY OF HALE CENTER  
Hale Center, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2021

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Hale Center, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2021

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## *INTRODUCTORY SECTION*

CITY OF HALE CENTER  
Hale Center, Texas

September 30, 2021

CITY COUNCIL

W.H. Johnson

Mayor

Christine Reyna

Mayor Pro Tem

Karen Boyce

Councilmember

Israel Flores

Councilmember

Mario Martinez

Councilmember

Janet Peoples

Councilmember

ADMINISTRATIVE STAFF

Mike Cypert

City Manager

Patricia Isaguirre

City Secretary

## *FINANCIAL SECTION*

# Terry & King, CPAs, P.C.

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Lubbock, TX 79493-3550

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Randel J. Terry, CPA  
Ryan R. King, CPA

## Independent Auditors' Report on Financial Statements

Honorable Mayor and City Council  
City of Hale Center, Texas

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units (except for the Hale Center Volunteer Fire Department), each major fund, and the aggregate remaining fund information of the City of Hale Center, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Summary of Opinions***

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified
Water and Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Qualified



***Basis for Adverse Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information***

The financial statements referred to above do not include financial data for the Hale Center Volunteer Fire Department (HCVFD), a legally separate component unit of the City of Hale Center. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the HCVFD, an aggregate discretely presented component unit, have been omitted.

***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Hale Center, as of September 30, 2021, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Qualified Opinion***

In our opinion, except for the effects of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the City of Hale Center, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

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

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules, identified as Required Supplementary Information in the table of contents, 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.

Independent Auditors' Report  
Page 2

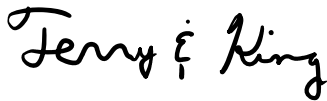
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hale Center's basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2022, on our consideration of the City of Hale Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hale Center's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.  
Lubbock, Texas  
April 11, 2022

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Hale Center's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2021. Please read this in conjunction with the City's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The City's net position increased as a result of this year's operations. While net position of our business-type activities decreased by \$42,795 or 3%, net position of our governmental activities increased by \$446,792.
- During the year, the City had expenses that were \$446,792 less than the \$1,394,614 generated in tax and other revenues for governmental programs before transfers.
- In the City's business type activities, charges for services increased \$2,649 to \$588,782 (or less than 1%) while operating expenses increased \$47,830 to \$631,577.
- The General Fund reported a deficit this year of \$22,593 prior to sale of capital assets of \$59,406.
- The resources available for appropriation were \$6,378 less than budgeted for the General Fund. Expenditures for the General Fund were less than the budgeted amounts by \$17,951.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

## **Reporting the City as a Whole -- The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in it. You can think of the City's net position—the differences between assets and liabilities—as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the ambulance, fire, police, sanitation, streets, and parks departments, and general administration. Property taxes, franchise taxes, charges to customers, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's water and sewer services are reported here.

## **Reporting the City's Most Significant Funds – Fund Financial Statements**

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. At times a city council may establish other funds to help it control and manage money for particular purposes, such as special projects or to show that it is meeting legal responsibilities for using certain Federal or State grants. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds*—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The Governmental fund statements provide a detailed *short-term view* of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliation on Exhibits C-1R and C-3.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## THE CITY AS A WHOLE

The City’s combined net position was \$2,868,391. Our following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City’s government and business-type activities.

# FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$2,868,391 at September 30, 2021. (See Table A-1).

Table A-1  
City of Hale Center's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	<u>2021</u>	<u>2020</u>	<u>Percentage Change</u>	<u>2021</u>	<u>2020</u>	<u>Percentage Change</u>	<u>2021</u>	<u>2020</u>	<u>Percentage Change</u>
Current assets:									
Cash in Bank	695,472	310,935	124%	-	10,504	-100%	695,472	321,439	116%
Receivables	67,536	190,692	-65%	78,014	67,402	16%	145,550	258,094	-44%
Interfund Balances	(72,674)	(82,543)	-100%	72,674	82,543	100%	-	-	0%
Total current assets:	690,334	419,084	65%	150,688	160,449	-6%	841,022	579,533	45%
Noncurrent assets:									
Capital Assets	1,039,585	636,959	63%	1,520,606	1,471,952	3%	2,560,191	2,108,911	21%
Total noncurrent assets	1,039,585	636,959	63%	1,520,606	1,471,952	3%	2,560,191	2,108,911	21%
Total Assets	1,729,919	1,056,043	64%	1,671,294	1,632,401	2%	3,401,213	2,688,444	27%
Deferred Outflows of Resources									
Deferred Outflows - Pension	10,976	10,667	3%	9,222	8,746	5%	20,198	19,413	4%
Deferred Outflows - OPEB	3,706	2,890	28%	2,944	2,134	38%	6,650	5,024	32%
Total Deferred Outflows	14,682	13,557	8%	12,166	10,880	12%	26,848	24,437	10%
Current Liabilities	31,350	51,181	-39%	11,520	9,216	25%	42,870	60,397	-29%
Customer Deposits	-	-	0%	83,187	82,543	1%	83,187	82,543	1%
Due within one year	-	-	0%	12,243	-	0%	12,243	-	0%
Net Pension Liability	17,381	20,820	-17%	10,351	13,504	-23%	27,732	34,324	-19%
Net OPEB Liability	11,618	9,678	20%	8,075	6,226	30%	19,693	15,904	24%
Due in more than one year	-	-	0%	73,604	-	0%	73,604	-	0%
Total Liabilities	60,349	81,679	-26%	198,980	111,489	78%	259,329	193,168	34%
Deferred Inflows of Resources									
Deferred Inflows - Pension	26,711	31,893	-16%	14,329	19,079	-25%	41,040	50,972	-19%
Deferred Inflows - OPEB	2,811	2,566	10%	2,014	1,781	13%	4,825	4,347	11%
Deferred Inflows - Grant Proceeds	254,476	-	100%	-	-	0%	254,476	-	100%
Total Deferred Inflows	283,998	34,459	724%	16,343	20,860	-22%	300,341	55,319	443%
Net Position:									
Net investment in capital assets	1,039,585	636,959	63%	1,434,759	1,471,952	-3%	2,474,344	2,108,911	17%
Unrestricted	360,669	316,503	14%	33,378	38,980	-14%	394,047	355,483	11%
Total Net Position	1,400,254	953,462	47%	1,468,137	1,510,932	-3%	2,868,391	2,464,394	16%

Net position of the City's governmental activities increased (\$1,400,254 compared to \$953,462). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$316,503 at September 30, 2020 to \$360,669 at the end of this year. Net position of the City's business-type activities decreased by 3%, from \$1,510,932 to \$1,468,137.

Table A-2  
Changes in City of Hale Center's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	2021	2020	Percentage Change	2021	2020	Percentage Change	2021	2020	Percentage Change
Program Revenues:									
Charges for Services	293,398	270,068	9%	588,782	586,133	0%	882,180	856,201	3%
Grants & Contributions	586,385	228,603	157%	-	-	0%	586,385	228,603	157%
General Revenues:									
Property Taxes	287,684	301,256	-5%	-	-	0%	287,684	301,256	-5%
Nonproperty Taxes	186,152	173,005	8%	-	-	0%	186,152	173,005	8%
Investment Earnings	2,248	3,775	-40%	-	-	0%	2,248	3,775	-40%
Other	38,747	18,020	115%	-	-	0%	38,747	18,020	115%
	<u>1,394,614</u>	<u>994,727</u>	<u>40%</u>	<u>588,782</u>	<u>586,133</u>	<u>0%</u>	<u>1,983,396</u>	<u>1,580,860</u>	<u>25%</u>
Expenses:									
General Government	211,153	364,578	-42%	-	-	0%	211,153	364,578	-42%
Public Safety	368,824	295,570	25%	-	-	0%	368,824	295,570	25%
Animal Control	5,366	3,402	58%	-	-	0%	5,366	3,402	58%
Streets	98,215	93,080	6%	-	-	0%	98,215	93,080	6%
Health & Welfare	56,603	48,081	18%	-	-	0%	56,603	48,081	18%
Sanitation	172,275	151,593	14%	-	-	0%	172,275	151,593	14%
Culture and Recreation	35,386	23,935	48%	-	-	0%	35,386	23,935	48%
Interest on L-T Debt	-	-	0%	930	-	100%	930	-	100%
Water and Sewer	-	-	0%	630,647	583,747	8%	630,647	583,747	8%
	<u>947,822</u>	<u>980,239</u>	<u>-3%</u>	<u>631,577</u>	<u>583,747</u>	<u>8%</u>	<u>1,579,399</u>	<u>1,563,986</u>	<u>1%</u>
Excess (Deficiency) Before Other Resources, Uses & Transfers	446,792	14,488	-2984%	(42,795)	2,386	-1894%	403,997	16,874	2294%
Other Resources (Uses)	-	-	0%	-	-	0%	-	-	0%
Transfers In (Out)	-	16,229	-100%	-	(16,229)	100%	-	-	0%
Increase (Decrease) in Net Position	446,792	30,717	-1355%	(42,795)	(13,843)	209%	403,997	16,874	2294%
Net Position - Beginning	<u>953,462</u>	<u>922,745</u>	<u>3%</u>	<u>1,510,932</u>	<u>1,524,775</u>	<u>-1%</u>	<u>2,464,394</u>	<u>2,447,520</u>	<u>1%</u>
Net Position - Ending	<u>1,400,254</u>	<u>953,462</u>	<u>47%</u>	<u>1,468,137</u>	<u>1,510,932</u>	<u>-3%</u>	<u>2,868,391</u>	<u>2,464,394</u>	<u>16%</u>

The City's total revenues were \$1,983,396. A significant portion, 30%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (21%), non-property taxes (13%), charges for services (21%), grants and contributions (42%), and other (3%).

The total cost of all programs and services was \$1,579,399; 40% of these costs were for water and sewer production and administration expenses. Expenses for governmental activities consisted of costs for general administration (22%), public safety (39%), streets (10%), health & welfare (6%), sanitation (18%), and culture and recreation (4%).

### **Governmental Activities**

Revenues for the City's governmental activities increased \$399,887 or approximately 40%, while total expenses decreased \$32,417 or 3%.

- Property tax rates decreased slightly from \$0.6560 to \$0.6200 per \$100 valuation. The ad valorem tax levy for the previous fiscal year was \$298,877, compared to \$285,464 for the current year. Total tax collections were \$282,077 in the current year.
- Grant revenues increased \$357,782. The City received grants for Fire Department vehicles and equipment (\$403,492), Parks equipment and improvements (\$23,306), police department vehicle and equipment (\$37,352), a solid waste grant (\$5,100), and a COVID relief funds (\$115,335).
- The cost of all *governmental* activities this year was \$947,822. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was \$287,684 because some of the costs were paid by those who directly benefited from the programs (\$293,398), by nonproperty taxes (\$186,152), or grants and contributions (\$586,385).

### **Business-type Activities**

Revenues of the City's business-type activities (see table A-2) increased less than 1% (\$588,782 from \$586,133) and expenses increased 8% (\$631,577 from \$583,747).

## THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a *combined* fund balance of \$380,020, which is an increase from the prior year's total of \$343,207. The following items effecting fund balance should be noted:

- In the prior year, expenditures were more than revenues by \$57,402 prior to transfers and sale of capital assets. In the current year, expenditures were more than revenues by \$22,593 prior to transfers and sale of capital assets.
- The revenues in the governmental funds increased approximately 37% from the prior period and expenses for the governmental funds increased 31% from the prior period.

### General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City's budget once. Even with these adjustments, actual revenues were \$6,378 less than budgeted amounts and expenditures were \$17,951 less than final budget amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2020, the City had \$6,139,690 invested in a broad range of capital assets, including buildings, furniture and equipment, and utilities facilities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$617,417 over last year.

Table A-3  
Fixed Assets

Governmental Activities:	Balance 10-01-20	Additions	Deletions/ Reclassifications	Balance 09-30-21
Land	\$ 35,653	-	(29,875)	5,778
Infrastructure	1,313,506	68,276	-	1,381,782
Buildings& Improvements	418,921	13,558	-	432,479
Furniture & Equipment	431,495	435,406	-	866,901
Accumulated Depreciation	(1,562,616)	(84,739)	-	(1,647,355)
Net Capital Assets	\$ 636,959	\$ 432,501	\$ (29,875)	\$ 1,039,585

Business-Type <u>Activities:</u>	Balance <u>10-01-20</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>09-30-21</u>
Land	\$ 195,246	-	-	195,246
Improvements	2,808,232	44,955	-	2,853,187
Vehicles & Equipment	319,220	85,097	-	404,317
Accumulated Depreciation	<u>(1,850,746)</u>	<u>(81,398)</u>	<u>-</u>	<u>(1,932,144)</u>
Net Capital Assets	\$ <u>1,471,952</u>	\$ <u>48,654</u>	\$ <u>-</u>	\$ <u>1,520,606</u>

More detailed information about the City's capital assets is presented in the notes to the financial statements.

## Debt

A municipal government can finance activities such as capital improvements and acquisitions through general tax bonds or revenue bonds. Additionally, a government may purchase items through the use of capital leases or notes payable with a financial institution.

Business-Type <u>Activities:</u>	Balance <u>10-01-20</u>	<u>Additions</u>	<u>Decreases</u>	Balance <u>09-30-21</u>	Due Within <u>One Year</u>
Public Property Finance	\$ -	\$ 85,847	\$ -	\$ 85,847	\$ 12,243
Total	\$ -	\$ 85,847	\$ -	\$ 85,847	\$ 12,243

More detailed information about the City's long-term obligations is presented in the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected officials considered many factors when setting the fiscal year 2022 budget, tax rates, and fees. Factors considered include the current economy, property tax values and the needs of the City in the coming year. The Council has adopted tax rates, budgets and set fees accordingly.

If these estimates are realized, the City's budgetary general fund fund balance is expected to increase slightly by the close of 2022.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## *BASIC FINANCIAL STATEMENTS*

CITY OF HALE CENTER  
Hale Center, Texas

STATEMENT OF NET POSITION  
September 30, 2021

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Hale Center Economic Development Corporation	Ambulance Service of Hale Center, Inc.	Hale Center Public Library, Inc.
ASSETS:						
Cash in Bank	\$ 695,472	\$ -	\$ 695,472	\$ 224,579	\$ 7,284	\$ 84,650
Accounts Receivable, net	-	78,014	78,014	-	-	-
Taxes Receivable, net	24,488	-	24,488	-	-	-
Interfund Balances	(72,674)	72,674	-	-	-	-
Due from Primary Government	-	-	-	4,348	-	-
Due from Other Governments	4,610	-	4,610	-	-	-
Other Taxes Receivables	38,438	-	38,438	-	-	-
Net Pension Asset	-	-	-	-	-	-
Capital Assets:						
Land	5,778	195,246	201,024	-	-	-
Construction in Progress	-	-	-	-	-	-
Infrastructure	347,735	-	347,735	-	-	-
Buildings & Improvements, net	179,378	1,213,418	1,392,796	-	-	-
Furniture & Equipment, net	506,694	111,942	618,636	28,236	32,900	-
<b>TOTAL ASSETS</b>	<b>\$ 1,729,919</b>	<b>\$ 1,671,294</b>	<b>\$ 3,401,213</b>	<b>\$ 257,163</b>	<b>\$ 40,184</b>	<b>\$ 84,650</b>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows - Pension	10,976	9,222	20,198	-	-	-
Deferred Outflows - OPEB	3,706	2,944	6,650	-	-	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>14,682</b>	<b>12,166</b>	<b>26,848</b>	<b>-</b>	<b>-</b>	<b>-</b>
LIABILITIES:						
Current Liabilities:						
Accounts Payable	\$ 27,932	\$ 10,590	\$ 38,522	\$ -	\$ -	\$ -
Accrued Interest	-	930	930	-	-	-
Accrued Payroll Withholdings	-	-	-	-	158,351	-
Due to Economic Development Corporation	3,418	-	3,418	-	-	-
Noncurrent Liabilities:						
Customer Deposits	-	83,187	83,187	-	-	-
Due Within One Year	-	12,243	12,243	-	-	-
Due in More Than One Year	-	73,604	73,604	-	-	-
Net Pension Liability	17,381	10,351	27,732	-	-	-
Total OPEB Liability	11,618	8,075	19,693	-	-	-
<b>Total Liabilities</b>	<b>\$ 60,349</b>	<b>\$ 198,980</b>	<b>\$ 259,329</b>	<b>\$ -</b>	<b>\$ 158,351</b>	<b>\$ -</b>
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows - Pension	26,711	14,329	41,040	-	-	-
Deferred Inflows - OPEB	2,811	2,014	4,825	-	-	-
Deferred Grant Proceeds	254,476	-	254,476	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>283,998</b>	<b>16,343</b>	<b>300,341</b>	<b>-</b>	<b>-</b>	<b>-</b>
NET POSITION						
Net Investment in Capital Assets	\$ 1,039,585	\$ 1,434,759	\$ 2,474,344	\$ 28,236	\$ 32,900	\$ -
Unrestricted	360,669	33,378	394,047	228,927	(151,067)	84,650
<b>Total Net Position</b>	<b>\$ 1,400,254</b>	<b>\$ 1,468,137</b>	<b>\$ 2,868,391</b>	<b>\$ 257,163</b>	<b>\$ (118,167)</b>	<b>\$ 84,650</b>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

STATEMENT OF ACTIVITIES  
Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
		Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	Hale Center Economic Development Corporation	Ambulance Service of Hale Center, Inc.	Hale Center Public Library, Inc.
Government Activities:										
General Government	\$ 211,153	\$ 16,856	\$ -	\$ -	\$ (194,297)	\$ -	\$ (194,297)	\$ -	\$ -	\$ -
Public Safety	368,824	54,131	138,981	418,998	243,286	-	243,286	-	-	-
Animal Control	5,366	2,693	-	-	(2,673)	-	(2,673)	-	-	-
Streets	98,215	-	-	-	(98,215)	-	(98,215)	-	-	-
Health & Welfare	56,603	9,432	-	-	(47,171)	-	(47,171)	-	-	-
Sanitation	172,275	210,286	5,100	-	43,111	-	43,111	-	-	-
Culture and Recreation	35,386	-	-	23,306	(12,080)	-	(12,080)	-	-	-
<b>Total Governmental Activities</b>	<b>947,822</b>	<b>293,398</b>	<b>144,081</b>	<b>442,304</b>	<b>(68,039)</b>	<b>-</b>	<b>(68,039)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business-type Activities										
Water and Sewer	631,577	588,782	-	-	-	(42,795)	(42,795)	-	-	-
<b>Total Primary Government</b>	<b>\$ 1,579,399</b>	<b>\$ 882,180</b>	<b>\$ 144,081</b>	<b>\$ 442,304</b>	<b>\$ (68,039)</b>	<b>\$ (42,795)</b>	<b>\$ (110,834)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Component Unit:										
Hale Center Economic Development Corporation	\$ 16,380	\$ -	\$ -	\$ -				(16,380)	-	-
Ambulance Service of Hale Center, Inc.	278,178	180,654	94,442	-				-	(3,082)	-
Hale Center Public Library, Inc.	18,065	-	16,641	-				-	-	(1,424)
<b>Total Component Units</b>	<b>\$ 312,623</b>	<b>\$ 180,654</b>	<b>\$ 111,083</b>	<b>\$ -</b>				<b>\$ (16,380)</b>	<b>\$ (3,082)</b>	<b>\$ (1,424)</b>
General Revenues:										
Property Taxes, Levied for General Purposes:					287,684	-	287,684	-	-	-
Sales Taxes					88,360	-	88,360	44,807	-	-
Franchise Taxes					97,792	-	97,792	-	-	-
Unrestricted Investment Earnings					2,248	-	2,248	352	-	645
Miscellaneous					9,216	-	9,216	9,500	-	-
Gain on Sale of Assets					29,531	-	29,531	-	-	-
Transfers					-	-	-	-	-	-
<b>Total General Revenues and Transfers</b>					<b>514,831</b>	<b>-</b>	<b>514,831</b>	<b>54,659</b>	<b>-</b>	<b>645</b>
Change in Net Position					446,792	(42,795)	403,997	38,279	(3,082)	(779)
Net Position -- Beginning					953,462	1,510,932	2,464,394	218,884	(115,085)	85,429
<b>Net Position -- Ending</b>					<b>\$ 1,400,254</b>	<b>\$ 1,468,137</b>	<b>\$ 2,868,391</b>	<b>\$ 257,163</b>	<b>\$ (118,167)</b>	<b>\$ 84,650</b>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

CITY OF HALE CENTER  
Hale Center, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS  
September 30, 2021

	General Fund	Total Governmental Funds
ASSETS		
Cash	\$ 695,472	\$ 695,472
Taxes Receivable, net	24,488	24,488
Due from Other Governments	4,610	4,610
Other Taxes Receivable	38,438	38,438
<u>TOTAL ASSETS</u>	<u>\$ 763,008</u>	<u>\$ 763,008</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 27,932	\$ 27,932
Due to Other Funds	72,674	72,674
Due to Economic Development Corporation	3,418	3,418
<u>Total Liabilities</u>	<u>104,024</u>	<u>104,024</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	\$ 24,488	\$ 24,488
Deferred Grant Proceeds	254,476	254,476
<u>Total Deferred Inflows of Resources</u>	<u>\$ 278,964</u>	<u>\$ 278,964</u>
FUND BALANCES:		
Committed For:		
Capital Expenditures	27,154	27,154
Unassigned	352,866	352,866
<u>Total Fund Balances</u>	<u>380,020</u>	<u>380,020</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 763,008</u>	<u>\$ 763,008</u>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

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

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 380,020
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds	24,488
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,039,585
Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$17,381, a deferred resource outflow related to Pensions in the amount of \$10,976, and a deferred resource inflow in the amount of \$26,711. This resulted in a decrease in net position by \$33,116.	(33,116)
Included in the items related to noncurrent liabilities is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$11,618, a deferred resource outflow related to OPEB in the amount of \$3,706, and a deferred resource inflow of \$2,811. This resulted in a decrease in net position by \$10,723.	<u>(10,723)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 1,400,254</u>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--  
GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2021

	General Fund	Total Governmental Funds
REVENUES:		
Property Taxes (Including Penalty & Interest)	\$ 287,892	\$ 287,892
Sales Taxes	88,360	88,360
Franchise Taxes	97,792	97,792
Sanitation Fees	210,286	210,286
Mosquito Spraying Fees	9,432	9,432
Fees and Fines	54,131	54,131
Animal Control	2,693	2,693
Licenses and Permits	10,403	10,403
Leases and Rents	6,453	6,453
Investment Income	2,248	2,248
Grants	585,325	585,325
Donations	1,060	1,060
Miscellaneous	9,216	9,216
<u>Total Revenues</u>	<u>1,365,291</u>	<u>1,365,291</u>
EXPENDITURES		
Current		
General Government	212,882	212,882
Public Safety	768,011	768,011
Sanitation	170,429	170,429
Animal Control	3,761	3,761
Streets	113,407	113,407
Health & Welfare	56,603	56,603
Culture and Recreation	62,791	62,791
Capital Outlay	-	-
<u>Total Expenditures</u>	<u>1,387,884</u>	<u>1,387,884</u>
Excess of Revenues Over (Under) Expenditures	(22,593)	(22,593)
OTHER FINANCING SOURCES (USES)		
Transfers In/(Out)	-	-
Sale of Capital Assets	59,406	59,406
<u>Total Other Sources (Uses)</u>	<u>59,406</u>	<u>59,406</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	36,813	36,813
Fund Balance--Beginning of Year	343,207	343,207
<u>Fund Balance--End of Year</u>	<u>\$ 380,020</u>	<u>\$ 380,020</u>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

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

Net Change in Fund Balances -- Total Governmental Funds		\$	36,813
Amounts reported for governmental activities in the statement of activities ("SOA") 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 useful lives as depreciation expense. This is the amount of capital outlays during the current period.			517,240
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets			(84,738)
Governmental funds report the proceeds from the sale of capital assets as other resources. However, in the statement of activities, this amount is reduced by the carrying value remaining on the assets sold			(29,875)
Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts have changed during the current period.			(209)
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in pension expense	8,930		
Change in OPEB expense	(1,369)		
			<u>7,561</u>
Change in Net Position -- Statement of Activities		\$	<u>446,792</u>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND  
September 30, 2021

	Business-Type Activities-- Enterprise Funds
	Water & Sewer
ASSETS	
<u>Current Assets:</u>	
Cash	\$ -
Due from Other Funds	72,674
Accounts Receivable, net (allowance for uncollectible accounts of \$6,494)	78,014
<u>Total Current Assets</u>	<u>150,688</u>
<u>Non-Current Assets:</u>	
Net Pension Asset	-
Land	195,246
Construction in Progress	-
Improvements other than buildings, net	1,213,418
Vehicles, Machinery and Equipment, net	111,942
<u>Total Non-Current Assets</u>	<u>1,520,606</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,671,294</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows - Pension	\$ 9,222
Deferred Outflows - OPEB	2,944
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 12,166</u>
LIABILITIES	
<u>Current Liabilities</u>	
Accounts Payable	\$ 10,590
Accrued Interest Payable	930
<u>Non-current Liabilities</u>	
Customer Deposits	83,187
Due within one year	12,243
Due in more than one year	73,604
Net Pension Liability	10,351
Total OPEB Liability	8,075
<u>Total Liabilities</u>	<u>198,980</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows - Pension	14,329
Deferred Inflows - OPEB	2,014
<u>Total Deferred Inflows of Resources</u>	<u>16,343</u>
NET POSITION	
Net investment in capital assets	1,434,759
Unrestricted	33,378
<u>Total Net Position</u>	<u>\$ 1,468,137</u>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION--  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2021

	Business-Type Activities-- Enterprise Funds
	Water & Sewer
<u>Operating Revenues</u>	
Water Sales	\$ 428,460
Sewer Charges	146,998
Reconnect and Late Fees	9,362
Miscellaneous Income	3,962
<u>Total Operating Revenues</u>	<u>588,782</u>
<u>Operating Expenses</u>	
Salaries	275,218
Payroll Taxes	21,787
Employee Benefits	42,761
Insurance	14,186
Supplies	15,527
Repairs and Maintenance	85,677
Utilities and Fuel	65,333
Professional Fees	14,408
Miscellaneous	14,352
Depreciation	81,398
<u>Total Operating Expenses</u>	<u>630,647</u>
<u>Operating Income (Loss)</u>	<u>(41,865)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Expense	(930)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(930)</u>
<u>Income Before Contributions and Transfers</u>	<u>(42,795)</u>
<u>Contributions and Transfers</u>	
Grant Revenues	-
Transfer from/(to) Other Funds	-
<u>Total Contributions and Transfers</u>	<u>-</u>
Change in Net Position	(42,795)
NET POSITION	
Net Position, Beginning of Year	1,510,932
Net Position, End of Year	<u>\$ 1,468,137</u>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

STATEMENT OF CASH FLOWS--  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2021

	Business-Type Activities-- Enterprise Funds
	<u>Water &amp; Sewer</u>
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers	\$ 578,814
Payments to Suppliers	(208,109)
Payments to Employees	(346,873)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>23,832</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfers to Other Funds	-
Payments for Interfund Balances	9,869
<u>Net Cash Provided (Used) by Non-Capital Financing Activities</u>	<u>9,869</u>
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>	
Acquisition of Capital Assets	(130,052)
Issuance of Debt for Capital Asset Purchases	85,847
<u>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</u>	<u>(44,205)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends	-
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>-</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(10,504)
Cash & Cash Equivalents--Beginning of Year	10,504
<u>Cash &amp; Cash Equivalents--End of Year</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Operating Income (Loss)	\$ (41,865)
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:	
Depreciation	81,398
(Increase) Decrease in Receivables	(10,612)
(Increase) Decrease in Deferred Outflows	(1,286)
Increase (Decrease) in Liabilities	714
Increase (Decrease) in Deferred Inflows	(4,517)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ 23,832</u>

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS  
September 30, 2021

Note A: Summary of Significant Accounting Policies

The City of Hale Center (the City) was founded in 1921. The City operates under the Council-Manager form of government. Prior to the year ended September 30, 2009, the City operated under a Council-Mayor form of government. The City provides a full range of municipal services including public safety (police and fire), highway and streets, sanitation, culture and recreation, public improvement, planning and zoning, and general administrative services. In addition, the City provides water and sewer service as a proprietary function of the City.

The City of Hale Center is a Type A General-Law municipality governed by an elected mayor and five member City Council who appoint a City Manager. The accompanying financial statements present the City and its discretely presented component units.

This summary of significant accounting policies of the City is presented to assist in the understanding of the City's financial statements. The financial statements and notes are the representation of the City's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

1. The Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the City for financial reporting purposes management has considered all potential component units. The decision to include any potential component unit in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 2  
September 30, 2021

Note A: Summary of Significant Accounting Policies (Continued)

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has four component units required to be reported under GASB Statements No. 14, No. 39, No. 61, and No. 80.

Discretely Presented Component Units

*The Hale Center Economic Development Corporation (HCEDC)*, a non-profit corporation, was created to promote future economic development in Hale Center, Texas. The HCEDC is included in the reporting entity because the City Council appoints the five-member Board of Directors and approves its annual budget. Accordingly, the City is financially accountable and is able to impose its will on the organization. The HCEDC is reported as a governmental fund type component unit, HCEDC's fiscal year end is March 31<sup>st</sup>, which differs from that of the City's September 30<sup>th</sup> year end. Accordingly, HCEDC's financial information included in the basic financial statements is as of March 31, 2021 rather than September 30, 2021. The difference in fiscal year ends results in inconsistencies in amounts reported in due to/from accounts. Significant transactions between the City and HCEDC included the City's disbursement of HCEDC's share of sales tax revenues to HCEDC amounting to \$44,807 for the year ended March 31, 2021. Separate HCEDC financial information can be obtained by writing to Hale Center Economic Development Corporation, P.O. Box 957, Hale Center, TX 79041.

*Ambulance Service of Hale Center, Inc. (HCEMS)* – HCEMS was established to provide emergency medical services within the corporate limits of the City of Hale Center, Texas. The City of Hale Center contributes \$48,000 annually to the operating budget of the HCEMS. The City also bears the cost of utilities and provides City-owned buildings for HCEMS operations. The City appoints 2 members to the HCEMS Board of Directors. HCEMS is reported as a discretely presented component unit in the statement of net position and statement of activities.

*Hale Center Public Library, Inc. (the Library)* – The Library was established to provide library services to all residents of the City of Hale Center, Texas. The City of Hale Center contributes \$5,400 annually to the operating budget of the Library. The Library is reported as a discretely presented component unit in the statement of net position and statement of activities.

*Hale Center Volunteer Fire Department (HCVFD)* – HCVFD was established to provide fire prevention, fire protection, and emergency rescue services within the corporate limits of the City of Hale Center, Texas. The City of Hale Center contributes \$9,900 annually to the operating budget of the HCVFD. The City also allows the HCVFD to use City-owned firefighting equipment.

Although the HCVFD meets the requirements for being included in the City's financial statements as a component unit, the City Council has elected to forego this reporting requirement.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 3  
September 30, 2021

Note A: Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all of taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund: This is the primary operating fund of the City. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

In addition, the City reports the following fund types:

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specific purposes.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 4  
September 30, 2021

Note A: Summary of Significant Accounting Policies--Continued

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 5  
September 30, 2021

Note A: Summary of Significant Accounting Policies (continued)

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus utilizing the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated in net investment in capital assets, restricted net position, and unrestricted net position.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Currently, the City does not have any restricted fund balances.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. Currently, the City has \$27,154 committed for street improvements.

Unassigned: This classification includes the residual fund balance for the General Fund.

The City would typically use Restricted fund balances first, followed by Committed resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

3. Financial Statement Amounts

a. Deposits and Investments

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

For purposes of the statement of cash flows, the City considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short-term investments are stated at cost or amortized cost.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 6  
September 30, 2021

Note A: Summary of Significant Accounting Policies (continued)

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1<sup>st</sup> for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1<sup>st</sup> of the year following the year in which imposed. On January 1<sup>st</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. As of September 30, 2021, the amount deemed uncollectible by this estimate was \$45,362. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect cost applicable to future periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The City has elected not to retroactively report its infrastructure assets. Infrastructure assets acquired after the implementation of GASB 34 will be capitalized. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20
Buildings	30
Building Improvements	15
System and Improvements	50
Vehicles	5-10
Office Equipment and Furniture	5-10
Computer Equipment	3

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 7  
September 30, 2021

Note A: Summary of Significant Accounting Policies (continued)

e. Receivable and Payable Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due 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). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectible. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectible.

f. Accrued Payroll Withholdings

The Ambulance Service of Hale Center, Inc., a discretely presented component unit, has \$158,351 accrued for unpaid fiduciary payroll taxes. This accrual does not include estimates for late filing, late payment, or any other penalties or interest associated with this liability.

g. Long-Term Debt

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

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

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 8  
September 30, 2021

Note A: Summary of Significant Accounting Policies (continued)

i. 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.

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. The City currently has two types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

j. Pensions

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

j. Other Post Employment Benefits

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

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 9  
September 30, 2021

Note B: Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violations</u>	<u>Action Taken</u>
None Reported	Not Applicable

2. Fair Value Measurements

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10  
September 30, 2021

Note C: Deposits and Investments

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

Cash Deposits

At September 30, 2021, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing saving accounts included in temporary investments) was \$695,472 and the bank balance was \$749,360. The City's cash deposits at September 30, 2021 and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

HCEDC's carrying and bank balance was \$224,579. All HCEDC's deposits were covered by FDIC insurance or pledged collateral held by the agent bank in HCEDC's name at March 31, 2021. Accordingly, the HCEDC had no custodial risk for deposits.

HCEMS' carrying amount of deposits was \$7,284, and the bank balance was \$11,989. All HCEDC's deposits were covered by FDIC insurance at September 30, 2021. Accordingly, the HCEMS had no custodial risk for deposits.

The Library's carrying and bank balance was \$84,650. All of the Library's deposits were covered by FDIC insurance at September 30, 2021. Accordingly, the Library had no custodial risk for deposits.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, 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, and (9) bid solicitation preferences for certificates of deposit.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 11  
September 30, 2021

Note C: Deposits and Investments

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

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

Note D: Receivables

Receivables as of September 30, 2021 for the City's major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts are as follows:

Governmental activities:

General Fund	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Property taxes	\$ 69,850	\$ (45,362)	\$ 24,488
Franchise taxes	28,183	-	28,183
Sales taxes	<u>10,255</u>	<u>-</u>	<u>10,255</u>
Total governmental	<u>\$ 108,288</u>	<u>\$ (45,362)</u>	<u>\$ 62,926</u>

Business-type activities:

Water and Sewer Fund			
Customer accounts	<u>\$ 84,508</u>	<u>\$ (6,494)</u>	<u>\$ 78,014</u>
Total business-type	<u>\$ 84,508</u>	<u>\$ (6,494)</u>	<u>\$ 78,014</u>

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 12  
September 30, 2021

Note E: Capital Assets

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

<b><u>Governmental Activities:</u></b>	Balance 10-01-20	Additions	Deletions/ Reclassifications	Balance 9-30-21
Land	\$ 35,653	-	(29,875)	\$ 5,778
Infrastructure	1,313,506	68,276	-	1,381,782
Buildings& Improvements	418,921	13,558	-	432,479
Furniture & Equipment	431,495	435,406	-	866,901
Total Capital Assets	<u>\$ 2,199,575</u>	<u>\$517,240</u>	<u>\$ (29,875)</u>	<u>\$ 2,686,940</u>

Less Accumulated  
Depreciation:

Infrastruture	\$ 1,005,998	\$ 28,049	-	\$ 1,034,047
Buildings& Improvements	243,078	10,023	-	253,101
Furniture & Equipment	<u>313,540</u>	<u>46,667</u>	<u>-</u>	<u>360,207</u>
Total Accumulated Depreciation	<u>\$ 1,562,616</u>	<u>\$ 84,739</u>	<u>\$ -</u>	<u>\$ 1,647,355</u>
Net Capital Assets	<u>\$ 636,959</u>	<u>\$432,501</u>	<u>\$ (29,875)</u>	<u>\$ 1,039,585</u>

<b><u>Business-Type Activities:</u></b>	Balance 10-01-20	Additions	Deletions/ Reclassifications	Balance 9-30-21
Land	\$ 195,246	-	-	\$ 195,246
Buildings& Improvements	2,808,232	44,955	-	2,853,187
Vehicles, Machinery & Furniture & Fixtures	<u>319,220</u>	<u>85,097</u>	<u>-</u>	<u>404,317</u>
Total Capital Assets	<u>\$ 3,322,698</u>	<u>\$130,052</u>	<u>\$ -</u>	<u>\$ 3,452,750</u>

Less Accumulated  
Depreciation:

	Balance 10-01-20	Additions	Deletions/ Reclassifications	Balance 9-30-21
Buildings& Improvements	\$ 1,576,812	\$ 62,957	-	\$ 1,639,769
Vehicles, Machinery Furniture & Fixtures	<u>273,934</u>	<u>18,441</u>	<u>-</u>	<u>292,375</u>
Total Accumulated Depreciation	<u>\$ 1,850,746</u>	<u>\$ 81,398</u>	<u>\$ -</u>	<u>\$ 1,932,144</u>
Net Capital Assets	<u>\$ 1,471,952</u>	<u>\$ 48,654</u>	<u>\$ -</u>	<u>\$ 1,520,606</u>

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 13  
September 30, 2021

Note E: Capital Assets (continued)

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

General Government	\$ 858
Public Safety	41,193
Animal Control	1,606
Streets	29,721
Sanitation	1,846
Culture and Recreation	9,515
Water and Sewer	81,398
	<u>\$166,137</u>

<b><u>Hale Center Economic Development Corporation:</u></b>	Balance 10-01-20	Additions	Deletions/ Reclassifications	Balance 9-30-21
Vehicles & Equipment	<u>\$ 38,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,883</u>
Total Capital Assets	<u>\$ 38,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,883</u>
<u>Less Accumulated Depreciation:</u>				
Furniture & Equipment	<u>\$ 5,092</u>	<u>\$ 5,555</u>	<u>\$ -</u>	<u>\$ 10,647</u>
Total Accumulated Depreciation	<u>\$ 5,092</u>	<u>\$ 5,555</u>	<u>\$ -</u>	<u>\$ 10,647</u>
Net Capital Assets	<u>\$ 33,791</u>	<u>\$ (5,555)</u>	<u>\$ -</u>	<u>\$ 28,236</u>

<b><u>Ambulance Service of Hale Center, Inc.:</u></b>	Balance 10-01-20	Additions	Deletions/ Reclassifications	Balance 9-30-21
Vehicles & Equipment	<u>\$ 136,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,307</u>
Total Capital Assets	<u>\$ 136,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,307</u>
<u>Less Accumulated Depreciation:</u>				
Furniture & Equipment	<u>\$ 94,007</u>	<u>\$ 9,400</u>	<u>\$ -</u>	<u>\$ 103,407</u>
Total Accumulated Depreciation	<u>\$ 94,007</u>	<u>\$ 9,400</u>	<u>\$ -</u>	<u>\$ 103,407</u>
Net Capital Assets	<u>\$ 42,300</u>	<u>\$ (9,400)</u>	<u>\$ -</u>	<u>\$ 32,900</u>

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14  
September 30, 2021

Note F: Interfund Balances and Activities

Interfund balances at September 30, 2021 consisted of the following:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
<u>General Fund:</u>		
Proprietary Fund	\$ -	\$ 72,674
<u>Total General Fund</u>	<u>-</u>	<u>72,674</u>
<u>Proprietary Fund:</u>		
General Fund	<u>72,674</u>	<u>-</u>
<u>Total</u>	<u>\$ 72,674</u>	<u>\$ 72,674</u>

These interfund balances were for balances that have not been paid as of year-end. All amounts are to be paid within one year.

Note G: Interfund Transfers

There were no Interfund transfers for the year ended September 30, 2021.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 15  
September 30, 2021

Note H: Long-Term Obligations

The City issued a Public Property Finance Act Contract for the purchase of a vehicle and utility equipment. This debt carries an effective interest rate of 3.112% as is due in 7 annual payments beginning November 2021 and ending November 2027.

Changes in long-term obligations for the year ended September 30, 2021 are as follows:

<b><u>Governmental Activities:</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Net Pension Liability	\$ 20,820	\$ 8,900	\$ 12,339	\$ 17,381	\$ -
Total OPEB Liability	<u>9,678</u>	<u>1,965</u>	<u>25</u>	<u>\$ 11,618</u>	<u>-</u>
<b><u>Total Governmental Funds:</u></b>	<b><u>\$ 30,498</u></b>	<b><u>\$ 10,865</u></b>	<b><u>\$ 12,364</u></b>	<b><u>\$ 28,999</u></b>	<b><u>\$ -</u></b>
<b><u>Business-Type Activities:</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Public Property Finance	\$ -	\$ 85,847	\$ -	\$ 85,847	\$ 12,243
Net Pension Liability	13,504	8,156	11,309	10,351	\$ -
Total OPEB Liability	<u>6,226</u>	<u>1,873</u>	<u>24</u>	<u>8,075</u>	<u>-</u>
<b><u>Total Business-Type Funds:</u></b>	<b><u>\$ 19,730</u></b>	<b><u>\$ 95,876</u></b>	<b><u>\$ 11,333</u></b>	<b><u>\$ 104,273</u></b>	<b><u>\$ -</u></b>

Debt service requirements on business-type long-term obligations outstanding at September 30, 2021, are as follows:

<b><u>Business-Type Activities</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
Year Ending September 30,			
2022	\$ 12,243	\$ 1,395	\$ 13,638
2023	11,347	2,291	13,638
2024	11,700	1,938	13,638
2025	12,064	1,574	13,638
2026	12,440	1,198	13,638
2027-2028	<u>26,053</u>	<u>1,222</u>	<u>27,275</u>
Totals	<u>\$ 85,847</u>	<u>\$ 9,618</u>	<u>\$ 95,465</u>

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 16  
September 30, 2021

Note I: TMRS-Pension Plan

Plan Description

The City of Hale Center participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8 Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

Benefits Provided

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

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%	0%
Annuity Increase (to retirees)	50% of CPI	0% of CPI

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 17  
September 30, 2021

Note I: TMRS-Pension Plan (continued)

*Employees covered by benefit terms*

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

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>11</u>
Total	19

Contributions

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

Employees for the City of Hale Center were required to contribute 5% of their annual compensation during the fiscal year. The contribution rates for the City of Hale Center were 4.87% and 4.25% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$24,396, and were equal to the required contributions.

Net Pension Liability

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

*Actuarial assumptions:*

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

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

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 18  
September 30, 2021

Note I: TMRS-Pension Plan (continued)

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	<u>10.00%</u>	7.75%
Total	100.00%	

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 19  
September 30, 2021

Note I: TMRS-Pension Plan (continued)

*Discount Rate*

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

*Change in the Net Pension Liability*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/19	\$ 461,766	\$ 427,442	\$ 34,324
Changes for the year:			
Service cost	40,403		40,403
Interest	31,796		31,796
Change of benefit terms			
Difference between expected and actual experience	1,263		1,263
Changes of assumptions			-
Contributions - employer		23,649	(23,649)
Contributions - employee		24,281	(24,281)
Net investment income		32,344	(32,344)
Benefit payments, including refunds of employee contributions	(21,844)	(21,844)	-
Administrative expense		(210)	210
Other changes		(10)	10
Net changes	51,618	58,210	(6,592)
Balance at 12/31/20	<u>\$ 513,384</u>	<u>\$ 485,652</u>	<u>\$ 27,732</u>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 100,852	\$ 27,732	\$ (32,422)

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 20  
September 30, 2021

Note I: TMRS-Pension Plan (continued)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [www.tmrs.com](http://www.tmrs.com).

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2021, the city recognized pension expense of \$7,085.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,160	\$ 29,274
Changes in actuarial assumptions	\$ 1,437	\$ -
Difference between projected and actual investment earnings	\$ -	\$ 11,766
Contributions subsequent to the measure date December 31, 2019	\$ 17,601	\$ -
Total	\$ 20,198	\$ 41,040

\$17,601 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2021	\$ (11,969)
2022	(8,095)
2023	(14,732)
2024	(3,647)
2025	-
Thereafter	-
Total	\$ (38,443)

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 21  
Year Ended September 30, 2021

Note J: Supplemental Death Benefits Plan

1. Plan Description

The City participates in the single-employer unfunded defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The SDBF had 777 participating cities on December 31, 2020.

2. OPEB Plan Fiduciary Net Position

Detailed information about the fiduciary net position of the Supplemental Death Benefits Fund is available in the separately-issued TMRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.tmr.com> or by writing to TMRS at P.O. Box 149153, Austin, TX 78714-9153.

3. Benefits Provided

The death benefit for active Members provides a lump-sum payment approximately equal to the Member's annual salary (calculated based on the Members's actual earnings, for the 12-month period preceding the month of death). The death benefit for retiree is an "other post-employment benefit" ("OPEB") and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of the Pension Trust Fund. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>11</u>
Total	13

4. Contributions

The City contributes to the SDBF monthly based on the covered payroll of employee members. The required contribution rate is actuarially determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires allocation from the Interest Reserve Account to the SDBF on an annual basis. The funding policy of this SDBF is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 22  
September 30, 2021

Note J: Supplemental Death Benefits Plan (continued)

As such, contributions fund the covered active Member and retiree deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

City	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
	0.25%	0.13%
<b>Current Fiscal Year Employer Contributions</b>	<b>\$ 881</b>	

5. Actuarial Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

***Summary of Actuarial Methods and Assumptions***

Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount Rate*	2.00%*
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23  
September 30, 2021

Note J: Supplemental Death Benefits Plan (continued)

6. Discount Rate

As of December 31, 2020, the discount rate used in the development of the Total OPEB Liability was 2.00% compared to 2.75% as of December 31, 2019. In accordance with GASB No. 75, paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. The projection of cash flows used to determine the discount rate assumed that contributions are made at the actuarially determined rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.00%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB Liability	\$ 24,665	\$ 19,693	\$ 15,914

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At September 30, 2021, the City reported a liability of \$19,693 for total OPEB liability. The total OPEB liability was measured as of December 31, 2020 by an actuarial valuation as of that date.

**Changes Since the Prior Actuarial Valuation** – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

As of December 31, 2020, the discount rate used in the development of the Total OPEB Liability was 2.00% compared to 2.75% as of December 31, 2019. Beginning with the December 31, 2019 actuarial valuation, mortality rates are based on the 2019 Municipal Retirees of Texas Mortality Tables. Prior to the December 31, 2019 actuarial valuation, mortality rates were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment.

For the year ended September 30, 2021, the City recognized OPEB expense of \$3,522.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 24  
September 30, 2021

Note J: Supplemental Death Benefits Plan (continued)

*Change in the Total OPEB Liability*

	Total OPEB Liability (a)
Balance at 12/31/19	\$ 15,904
Changes for the year:	
Service cost	1,700
Interest	460
Change of benefit terms	
Difference between expected and actual experience	(1,273)
Changes of assumptions	2,951
Benefit payments, including refunds of employee contributions	(49)
Other changes	
Net changes	<u>3,789</u>
Balance at 12/31/20	<u>\$ 19,693</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ -	\$ 4,083
Changes in actuarial assumptions	\$ 6,115	\$ 742
Difference between projected and actual investment earnings	\$ -	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$ -	\$ -
Total as of Dec. 31, 2018 measurement date	\$ 6,115	\$ 4,825
Contributions paid to TRS subsequent to the measurement date	\$ 535	\$ -
Total as of fiscal year-end	<u>\$ 6,650</u>	<u>\$ 4,825</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended December 31:</u>	<u>OPEB Expense Amount</u>
2021	\$ 202
2022	202
2023	202
2024	202
2025	115
Thereafter	367

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO FINANCIAL STATEMENTS, Page 25  
September 30, 2021

Note K: Litigation

There was no reportable litigation at September 30, 2021.

*REQUIRED SUPPLEMENTARY INFORMATION*

CITY OF HALE CENTER  
Hale Center, Texas

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended September 30, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Property Taxes (Including Penalty & Interest)	\$ 284,352	\$ 284,352	\$ 287,892	\$ 3,540
Sales Taxes	72,000	72,000	88,360	16,360
Franchise Taxes	93,300	93,300	97,792	4,492
Sanitation Fees	210,700	210,700	210,286	(414)
Mosquito Spraying Fees	9,850	9,850	9,432	(418)
Fees and Fines	81,125	81,125	54,131	(26,994)
Animal Control	2,600	2,600	2,693	93
Licenses and Permits	5,350	5,350	10,403	5,053
Leases and Rents	6,000	6,000	6,453	453
Investment Income	2,125	2,125	2,248	123
Grants	486,432	601,767	585,325	(16,442)
Donations	-	-	1,060	1,060
Miscellaneous	2,500	2,500	9,216	6,716
<u>Total Revenues</u>	<u>1,256,334</u>	<u>1,371,669</u>	<u>1,365,291</u>	<u>(6,378)</u>
<u>Expenditures</u>				
<u>Current</u>				
General Government	213,849	213,849	212,882	967
Public Safety	751,064	769,064	768,011	1,053
Sanitation	160,957	170,957	170,429	528
Animal Control	2,500	4,000	3,761	239
Streets	123,790	123,790	113,407	10,383
Health and Welfare	55,000	57,000	56,603	397
Culture and Recreation	67,175	67,175	62,791	4,384
Capital Outlay	-	-	-	-
<u>Total Expenditures</u>	<u>1,374,335</u>	<u>1,405,835</u>	<u>1,387,884</u>	<u>17,951</u>
<u>Other Financing Sources (Uses)</u>				
Transfer In/(Out)	111,613	111,613	-	(111,613)
Sale of Capital Assets	5,000	5,000	59,406	54,406
<u>Total Other Financing Sources (Uses)</u>	<u>116,613</u>	<u>116,613</u>	<u>59,406</u>	<u>(57,207)</u>
<u>Excess of Revenues and Other Sources</u>				
<u>Over (Under) Expenditures and Other Uses</u>	<u>(1,388)</u>	<u>82,447</u>	<u>36,813</u>	<u>(45,634)</u>
Fund Balance, Beginning of Year	343,207	343,207	343,207	-
<u>Fund Balance, End of Year</u>	<u>\$ 341,819</u>	<u>\$ 425,654</u>	<u>\$ 380,020</u>	<u>\$ (45,634)</u>

CITY OF HALE CENTER  
Hale Center, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET  
AND RELATED RATIOS - TMRS  
(unaudited)

	Measurement Year						
	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<b>Total Pension Liability</b>							
Service Cost	\$ 40,403	\$ 37,860	\$ 30,425	\$ 27,515	\$ 25,789	\$ 22,383	\$ 24,345
Interest (on the Total Pension Liability)	31,796	31,200	23,237	20,397	17,712	17,477	21,375
Changes of benefit terms	-	74,764	-	-	-	-	-
Difference between expected and actual experience	1,263	(45,581)	(1,420)	841	759	(25,622)	(83,306)
Change of assumptions	-	2,287	-	-	-	8,372	-
Benefit payments, including refunds of employee contributions	(21,844)	(14,588)	(10,924)	(5,343)	(5,343)	(17,813)	(16,442)
<b>Net change in Total Pension Liability</b>	51,618	85,942	41,318	43,410	38,917	4,797	(54,028)
<b>Total Pension Liability - Beginning</b>	461,766	375,824	334,506	291,096	252,179	247,382	301,410
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 513,384</u>	<u>\$ 461,766</u>	<u>\$ 375,824</u>	<u>\$ 334,506</u>	<u>\$ 291,096</u>	<u>\$ 252,179</u>	<u>\$ 247,382</u>
<b>Plan Fiduciary Net Position</b>							
Contributions - employer	23,649	8,761	8,406	7,479	6,524	9,795	8,922
Contributions - employee	24,281	22,349	22,047	19,996	18,742	17,056	19,239
Net investment income	32,344	54,856	(10,351)	39,384	16,725	355	12,389
Benefit payments, including refunds of employee contributions	(21,844)	(14,588)	(10,924)	(5,343)	(5,343)	(17,813)	(16,442)
Administrative expense	(210)	(311)	(201)	(206)	(191)	(216)	(129)
Other	(10)	(9)	(11)	(10)	(10)	(11)	(11)
<b>Net Change in Plan Fiduciary Net Position</b>	58,210	71,058	8,966	61,300	36,447	9,166	23,968
<b>Plan Fiduciary Net Position - Beginning</b>	427,442	356,384	347,418	286,118	249,671	240,505	216,537
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 485,652</u>	<u>\$ 427,442</u>	<u>\$ 356,384</u>	<u>\$ 347,418</u>	<u>\$ 286,118</u>	<u>\$ 249,671</u>	<u>\$ 240,505</u>
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	\$ 27,732	\$ 34,324	\$ 19,440	\$ (12,912)	\$ 4,978	\$ 2,508	\$ 6,877
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	94.60%	92.57%	94.83%	103.86%	98.29%	99.01%	97.22%
<b>Covered Employee Payroll</b>	\$ 485,610	\$ 446,989	\$ 440,941	\$ 399,927	\$ 374,839	\$ 342,767	\$ 384,773
<b>Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	5.71%	7.68%	4.41%	-3.23%	1.33%	0.73%	1.79%

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS - TMRS  
(unaudited)

	Measurement Year			
	2020	2019	2018	2017
<b>Total OPEB Liability</b>				
Service Cost	\$ 1,700	\$ 1,609	\$ 1,720	\$ 1,360
Interest (on the Total OPEB Liability)	460	519	459	407
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(1,273)	(3,244)	(809)	-
Change of assumptions	2,951	3,862	(1,156)	1,191
Benefit payments, including refunds of employee contributions	(49)	(45)	(44)	(40)
<b>Net change in Total OPEB Liability</b>	<u>3,789</u>	<u>2,701</u>	<u>170</u>	<u>2,918</u>
<b>Total OPEB Liability - Beginning</b>	<u>15,904</u>	<u>13,203</u>	<u>13,033</u>	<u>10,115</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 19,693</u>	<u>\$ 15,904</u>	<u>\$ 13,203</u>	<u>\$ 13,033</u>
 <b>Covered Employee Payroll</b>	 \$ 485,610	 \$ 446,989	 \$ 440,941	 \$ 399,927
 <b>Total OPEB Liability/(Asset) as a Percentage of Covered Payroll</b>	 4.06%	 3.56%	 2.99%	 3.26%

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS PENSION  
(unaudited)

	Fiscal Year						
	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Actuarially Determined Contribution	\$ 24,396	\$ 19,418	\$ 8,614	\$ 8,152	\$ 7,132	\$ 7,562	\$ 9,179
Contributions in relation to the actuarially determined contribution	<u>24,396</u>	<u>19,418</u>	<u>8,614</u>	<u>8,152</u>	<u>7,132</u>	<u>7,562</u>	<u>9,179</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 543,662	\$ 476,646	\$ 442,741	\$ 429,219	\$ 388,549	\$ 371,123	\$ 338,284
Contributions as a percentage of covered employee payroll	4.49%	4.07%	1.95%	1.90%	1.84%	2.04%	2.71%

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS OPEB  
(unaudited)

	Fiscal Year			
	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 881	\$ 1,163	\$ 1,007	\$ 921
Contributions in relation to the actuarially determined contribution	<u>881</u>	<u>1,163</u>	<u>1,007</u>	<u>921</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 543,662	\$ 476,646	\$ 442,741	\$ 429,219
Contributions as a percentage of covered employee payroll	0.16%	0.24%	0.23%	0.21%

The accompanying notes are an integral part of this statement.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2021

Schedule of Pension Contributions – TMRS

**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	N/A
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes

There were no benefit changes during the year.

CITY OF HALE CENTER  
Hale Center, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2021

Schedule of Contributions for OPEB – TMRS

**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

Asset Valuation

For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

Inflation

2.5%

Salary Increases

3.50% to 11.5% including inflation

Discount Rate\*

2.00%

Retirees' share of benefit-related costs

0\$

Administrative expenses

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Mortality rates – service retirees

2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality rates – disabled retirees

2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

*OTHER SUPPLEMENTARY INFORMATION*

CITY OF HALE CENTER  
Hale Center, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
For the Year Ended September 30, 2021

Year of Levy	Original Tax Levy	Balance 10/01/20	Add: Current Levy	Less: Collections	Total Year's Adjustments	Balance 09/30/21
2011 and Prior	\$ --	\$ 10,372	\$ -	\$ 527	\$ (7)	\$ 9,838
2012	247,626	2,380	-	227	-	2,153
2013	251,506	2,893	-	242	-	2,651
2014	266,911	2,535	-	254	-	2,281
2015	278,028	3,829	-	374	(74)	3,381
2016	290,273	5,705	-	1,159	-	4,546
2017	302,919	8,373	-	1,894	-	6,479
2018	310,142	12,105	-	2,834	-	9,271
2019	298,877	18,352	-	4,271	-	14,081
2020	285,464	-	285,464	270,295	-	15,169
	<u>Totals</u>	<u>\$ 66,544</u>	<u>\$ 285,464</u>	<u>\$ 282,077</u>	<u>\$ (81)</u>	<u>\$ 69,850</u>

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## Independent Auditors' Report

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

To the Honorable Mayor and City Council  
City of Hale Center, Texas  
P.O. Box 532  
Hale Center, Texas 79041

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hale Center, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Hale Center's basic financial statements, and have issued our report thereon dated April 11, 2022.

#### Internal Control Over Financial Reporting

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

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



Independent Auditors' Report  
Page 2

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

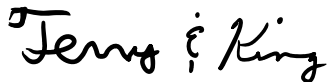
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.  
Lubbock, Texas  
April 11, 2022

CITY OF HALE CENTER  
Hale Center, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2021

A. **Findings Required to be Reported in Accordance with *Government Auditing Standards***

None – N/A

CITY OF HALE CENTER  
Hale Center, Texas

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS  
For the Year Ended September 30, 2021

**A. Findings Required to be Reported in Accordance with Government Auditing Standards**

None