



ANNUAL FINANCIAL REPORT 2021

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2021

CITY OF
BUFFALO, TX

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*ANNUAL
FINANCIAL REPORT*

of the

City of Buffalo, Texas

**For the Year Ended
September 30, 2021**

Prepared by

Finance Department



City of Buffalo, Texas

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September 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
And Members of the City Council
City of Buffalo, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Buffalo, Texas (the "City"), 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

The City's 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 audit opinions.

Opinion

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City 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.

Emphasis of Matter

Accounting Corrections

As discussed in Note V.D. to the financial statements, the City restated the beginning net position, and the respective fund balances, within government activities, business-type activities, the general fund, water works fund and water works grants fund to properly reflect corrections of deferred revenue and inventory balances in the prior year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in the other postemployment benefits liability and related ratios, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Buffalo's basic financial statements. The accompanying supplemental information, such as the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual for the debt service fund and capital projects fund, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary 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 June 3, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.



BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
June 3, 2022



*MANAGEMENT'S DISCUSSION
AND ANALYSIS*



City of Buffalo, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2021

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

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2021 by \$12,796,217. Of this amount, \$4,695,976 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,404,987. The majority of the City's net position are invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$3,217,230 at September 30, 2021, an increase of \$345,804 from the prior fiscal year; this includes an increase of \$5,929 in the debt service fund, a decrease of \$67,682 in the hotel/motel fund, an increase of \$414,948 in the general fund, a decrease of \$5,124 in the grants fund, and a decrease of \$2,267 in the capital projects fund.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$2,703,188 or 214% of total general fund expenditures.
- The City's total debt showed a net decrease of \$110,895. The total of governmental long-term debt were paid in full during the current fiscal year. Self-supporting debt of the proprietary fund at the close of the fiscal year was \$4,889,105.

Overview of the Financial Statements

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

Government-Wide Statements

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

City of Buffalo, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Buffalo Economic Development Corporation, for which the City is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By

City of Buffalo, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, grants fund, hotel/motel fund, which are considered to be major funds, and the capital projects fund, which is considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for its general fund, debt service fund, grants fund, hotel/motel fund and capital projects fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

Proprietary Funds

The City maintains one types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses two enterprise funds to account for its waterworks and waterworks grants operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for major equipment purchases and building services.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the seven major enterprise funds of the City.

City of Buffalo, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

Component Units

The Buffalo Economic Development Corporation is reported as a discretely presented component unit on the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and the budgetary comparison for various major governmental funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Buffalo, assets and deferred outflows exceed liabilities and deferred inflows by \$12,796,217 as of September 30, 2021 in the primary government.

The largest portion of the City's net position, \$7,279,407, reflects its investments in capital assets (e.g., land, buildings, automobiles, equipment, infrastructure assets, as well as the water and sewer system), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

City of Buffalo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

| | 2021 | | | 2020 | | |
|---------------------------|---------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| | Governmental | Business-Type | | Governmental | Business-Type | |
| | Activities | Activities | Total | Activities | Activities | Total |
| Current and | | | | | | |
| other assets | \$ 3,462,799 | \$ 2,332,432 | \$ 5,795,231 | \$ 3,440,494 | \$ 1,959,847 | \$ 5,400,341 |
| Net pension asset | 84,946 | 70,701 | 155,647 | 31,775 | 44,659 | 76,434 |
| Capital assets, net | 4,718,214 | 7,527,056 | 12,245,270 | 4,034,761 | 7,328,164 | 11,362,925 |
| Total Assets | 8,265,959 | 9,930,189 | 18,196,148 | 7,507,030 | 9,332,670 | 16,839,700 |
| Total Deferred | | | | | | |
| Outflows | 18,450 | 276,100 | 294,550 | 27,189 | 290,743 | 317,932 |
| Other liabilities | 121,060 | 510,545 | 631,605 | 143,566 | 437,660 | 581,226 |
| Long-term liabilities | 50,536 | 4,904,419 | 4,954,955 | 190,618 | 4,907,030 | 5,097,648 |
| Total Liabilities | 171,596 | 5,414,964 | 5,586,560 | 334,184 | 5,344,690 | 5,678,874 |
| Total Deferred | | | | | | |
| Inflows | 58,900 | 49,021 | 107,921 | 50,241 | 37,287 | 87,528 |
| Net Position: | | | | | | |
| Net investment | | | | | | |
| in capital assets | 4,688,885 | 2,590,522 | 7,279,407 | 3,854,761 | 2,491,176 | 6,345,937 |
| Restricted | 552,871 | 267,963 | 820,834 | 535,157 | 14,924 | 550,081 |
| Unrestricted | 2,812,157 | 1,883,819 | 4,695,976 | 2,759,876 | 1,735,336 | 4,495,212 |
| Total Net Position | \$ 8,053,913 | \$ 4,742,304 | \$ 12,796,217 | \$ 7,149,794 | \$ 4,241,436 | \$ 11,391,230 |

Current assets for business-type activities increased primarily due to additional cash on hand resulting from the grant funds received during the year, that are to be used for capital improvements in the upcoming year. Total capital assets increased primarily as a result of utility system improvements during the current year. Total other liabilities increased resulting from timing of repayments to vendors subsequent to yearend. Long-term liabilities for governmental activities decreased due to the payoff of the previously outstanding note payable.

City of Buffalo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

Statement of Activities:

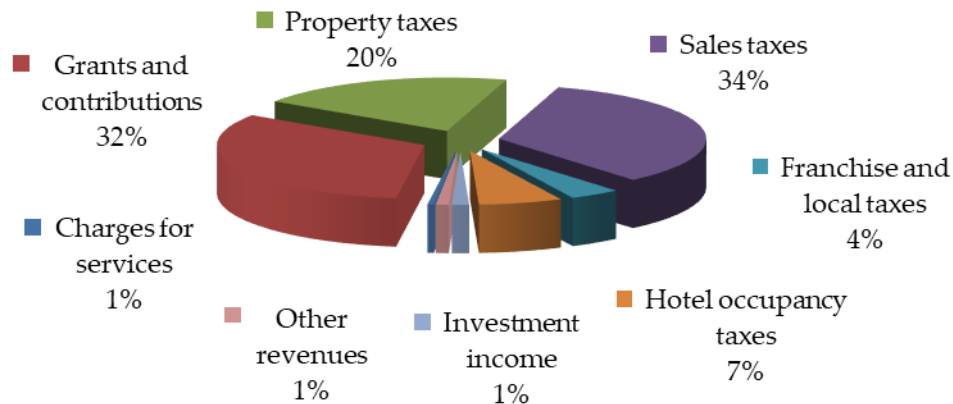
The following table provides a summary of the City's changes in net position:

| | For the Year Ended September 30, 2021 | | | For the Year Ended September 30, 2020 | | |
|-------------------------------|--|----------------------|----------------------|--|----------------------|----------------------|
| | | | Total | | | Total |
| | Governmental | Business-Type | Primary | Governmental | Business-Type | Primary |
| | Activities | Activities | Government | Activities | Activities | Government |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 13,410 | \$ 1,279,337 | \$ 1,292,747 | \$ 264,337 | \$ 1,273,585 | \$ 1,537,922 |
| Grants and contributions | 874,238 | 477,570 | 1,351,808 | 1,070,396 | 30,049 | 1,100,445 |
| General revenues: | | | | | | |
| Property taxes | 550,003 | - | 550,003 | 526,259 | - | 526,259 |
| Sales taxes | 927,956 | - | 927,956 | 979,849 | - | 979,849 |
| Franchise and local taxes | 107,669 | - | 107,669 | 116,716 | - | 116,716 |
| Hotel occupancy taxes | 176,993 | - | 176,993 | 159,940 | - | 159,940 |
| Investment income | 36,262 | 18,914 | 55,176 | 34,709 | 14,057 | 48,766 |
| Other revenues | 27,433 | 33,518 | 60,951 | 15,869 | 18,711 | 34,580 |
| Total Revenues | 2,713,964 | 1,809,339 | 4,523,303 | 3,168,075 | 1,336,402 | 4,504,477 |
| Expenses | | | | | | |
| General government | 409,994 | - | 409,994 | 489,713 | - | 489,713 |
| Public safety | 603,218 | - | 603,218 | 529,304 | - | 529,304 |
| Public works | 237,197 | - | 237,197 | 631,383 | - | 631,383 |
| Cultural and recreation | 139,886 | - | 139,886 | 130,923 | - | 130,923 |
| Interest and fiscal charges | - | 148,474 | 148,474 | 7,132 | - | 7,132 |
| Water & Sewer | - | 1,579,547 | 1,579,547 | - | 1,551,345 | 1,551,345 |
| Total Expenses | 1,390,295 | 1,728,021 | 3,118,316 | 1,788,455 | 1,551,345 | 3,339,800 |
| Change in Net Position | | | | | | |
| Before Transfers | 1,323,669 | 81,318 | 1,404,987 | 1,379,620 | (214,943) | 1,164,677 |
| Transfers | (419,550) | 419,550 | - | (340,225) | 340,225 | - |
| Total | (419,550) | 419,550 | - | (340,225) | 340,225 | - |
| Change in Net Position | 904,119 | 500,868 | 1,404,987 | 1,039,395 | 125,282 | 1,164,677 |
| Beginning Net Position | 7,149,794 | 4,241,436 | 11,391,230 | 6,110,399 | 4,116,154 | 10,226,553 |
| Ending Net Position | \$ 8,053,913 | \$ 4,742,304 | \$ 12,796,217 | \$ 7,149,794 | \$ 4,241,436 | \$ 11,391,230 |

City of Buffalo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

Governmental Activities - Revenues

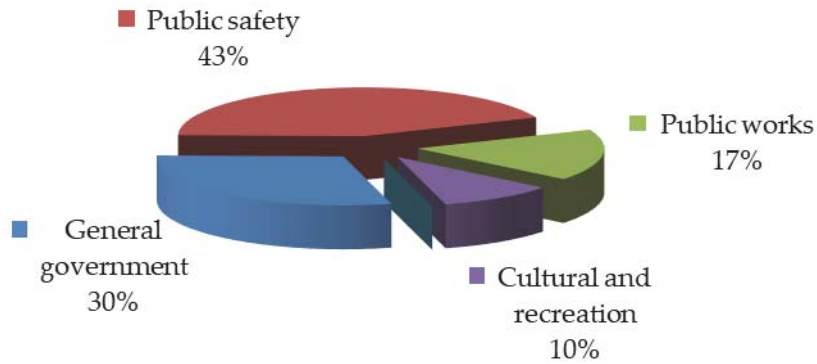


For the year ended September 30, 2021, revenues from governmental activities totaled \$2,713,964. Sales taxes, grants and contributions, and charges for services are the City's largest general revenue sources. Overall revenue decreased \$454,111 or 14% primary due to the change in charges for services and grants and contributions. Charges for services decreased \$250,927 or 95% due to the current year write off and increase in the allowance of municipal court fine receivables in the current year. Grants and contributions decreased by \$196,158 or 18% due to nonrecurring grant contributions that were received in the prior year. Property tax revenue increased \$23,744 or 5% due to an increase in appraised property values. Sales taxes and franchise taxes decreased by \$51,893 and \$9,047, respectively, due to a reduction in local sales within the City. Hotel occupancy taxes increased by \$17,053 or 11% due to a continued increase in pass through traffic at the hotels off of interstate 45. Other revenues increased by \$11,564 or 73% primarily as a result of nonrecurring miscellaneous income received during the year. All other revenues remained relatively stable when compared to the previous year.

City of Buffalo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

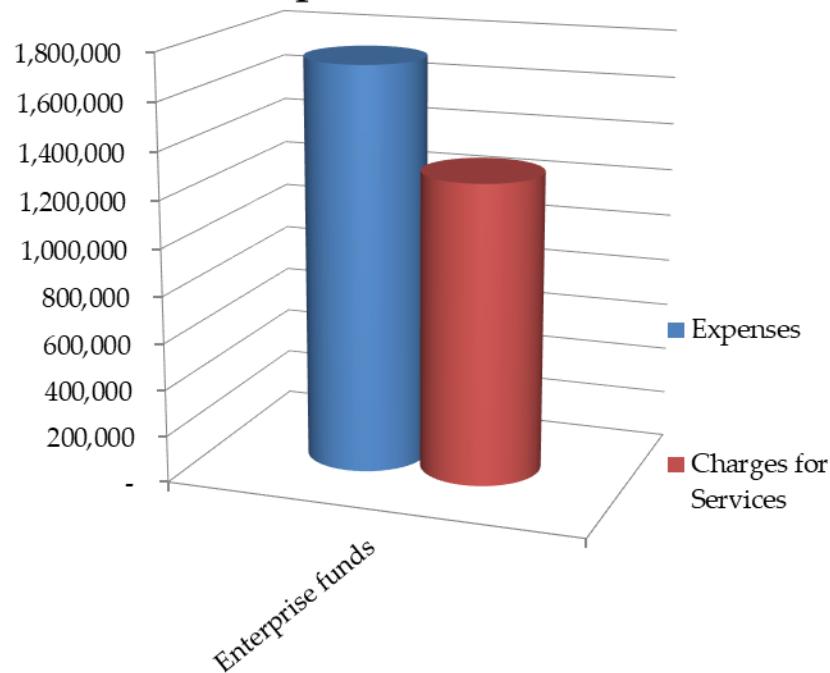


For the year ended September 30, 2021, expenses for governmental activities totaled \$1,390,295. This represents a decrease of \$398,160 or 22% from the prior year. The City's largest functional expense is public safety of \$603,218 which is an increase of \$73,914 from prior year. This increase is attributed primarily to higher personnel costs, the impact of pension and OPEB liability allocations and higher noncapital expenses when compared to the prior year. General government and public works decreased by \$79,719 and \$394,186, respectively, due to nonrecurring repair and maintenance costs in the previous year. All other expenses remained relatively consistent with the previous year.

City of Buffalo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2021, charges for services by business-type activities totaled \$1,279,337. This represents an increase of \$5,752 from the previous year, which is considered consistent to the previous year. Grants and contributions increased \$447,521 due to new nonrecurring capital grant funds received during the current year.

Total expenses increased \$176,676 to a total of \$1,728,021, due primarily to increased non-capital maintenance costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

City of Buffalo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

At September 30, 2021, the City's governmental funds reported combined fund balances of \$3,217,230, an increase of \$345,804 in comparison with the prior year. Approximately 84% of this amount, \$2,703,188, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable or restricted* to indicate that it is 1) not in spendable form, or 2) restricted for particular purposes, \$514,042.

As of the end of the year the general fund reflected a total fund balance of \$2,799,436. Of this, \$2,703,188 is unassigned. The increase in fund balance of \$414,948 is attributable to revenues and transfers from other funds exceeding current year expenditures.

As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total fund balance of general fund is 221% of total general fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$2,703,188 is 214% of total general fund expenditures.

The debt service fund had an ending fund balance of \$230,528 at September 30, 2021, an increase of \$5,929. The increase was a result of property tax revenues exceeding transfers out for debt service expenditures.

The grants fund had an ending fund balance of \$29,876, a decrease of \$5,124. The decrease is primarily due to significant capital outlay expenditures exceeding current year intergovernmental revenues.

The hotel/motel fund had an ending fund balance of \$137,702, a decrease of \$67,682. The decrease is consistent with the City's budget to utilize the fund balance for ongoing project costs that support tourism.

The capital projects fund had an ending fund balance of \$19,688, a decrease of \$2,267. The decrease is due to the utilization of fund balance for capital outlay expenditures.

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

The total net position of the waterworks fund at year end was \$4,506,660. This represents an increase of \$280,148, primarily due to transfers in from the waterworks grants fund for ongoing capital projects and from the debt service fund to service bonds.

The total net position of the waterworks grants fund at year end was \$235,644. This represents an increase of \$220,720, primarily due to intergovernmental revenues from grants offset by transfers out to the waterworks fund.

City of Buffalo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

GENERAL FUND BUDGETARY HIGHLIGHTS

There were various budget amendments approved during the year. Final budgeted revenue was \$98,532 more than originally budgeted due to the anticipation of greater intergovernmental revenues. Final budgeted expenditures were \$121,059 more than originally budgeted due to the anticipation of more general government, police, and fire expenditures than originally expected.

There was a total overall positive budget variance of \$318,438 in the general fund. Planned revenue had a negative variance of \$38,447. Actual expenditures were \$355,866 under budget. The licenses, permits and fees, intergovernmental, and investment income revenue categories received more revenue than anticipated, while property tax, sales tax, franchise tax, fines and forfeitures, contracted police services, credit card convenience fees, and other revenue categories received less than budgeted. All expenditures were less than budgeted. Planned other financing sources and uses had a positive budget variance of \$1,019.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$4,718,214 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$7,527,056 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, and infrastructure. The City's total investment in capital assets increased by \$882,345, net of depreciation.

Major capital asset events during the current year include the following:

- Downtown revitalization project additions of \$328,097.
- Purchase of fire equipment totaling \$20,078.
- Purchase of police vehicle totaling \$38,824.
- Purchase of fire truck totaling \$548,244.
- Donation of old fire truck to the Buffalo Volunteer Fire Department with a remaining net book value of \$25,459.
- Manhole covers and generator additions totaling \$285,976
- Water system improvements totaling \$461,701.

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

City of Buffalo, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

LONG-TERM DEBT

At the end of the current year, the City had total bonds and loans outstanding of \$4,889,105, excluding premiums. During the year, the City issued a loan in the amount of \$381,990. There were principal payments totaling \$492,885 during the year.

More detailed information about the City's long-term liabilities is presented in note IV. D and E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Buffalo and improving services provided to their public citizens. The City is budgeting conservatively for the upcoming year and planning to maintain similar services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City Secretary: Attn: City Secretary at 812 N. Buffalo Avenue, PO Box 219, Buffalo, Texas 75831, phone: (903) 322-2142.

FINANCIAL STATEMENTS

City of Buffalo, Texas
STATEMENT OF NET POSITION
September 30, 2021

| | Primary Government | | | Component |
|--|--------------------|-------------------|-------------------|----------------|
| | Governmental | Business-Type | Total | Units |
| | Activities | Activities | | Buffalo |
| | | | | EDC |
| <u>Assets</u> | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 2,477,350 | \$ 1,748,272 | \$ 4,225,622 | \$ 479,231 |
| Investments | 783,413 | 261,513 | 1,044,926 | - |
| Receivables, net | 395,501 | 129,182 | 524,683 | - |
| Internal balances | (193,465) | 193,465 | - | - |
| Total Current Assets | 3,462,799 | 2,332,432 | 5,795,231 | 479,231 |
| Capital assets: | | | | |
| Non-depreciable | 592,331 | 67,537 | 659,868 | 30,000 |
| Net depreciable capital assets | 4,125,883 | 7,459,519 | 11,585,402 | - |
| Net pension asset | 84,946 | 70,701 | 155,647 | - |
| Noncurrent Assets | 4,803,160 | 7,597,757 | 12,400,917 | 30,000 |
| Total Assets | 8,265,959 | 9,930,189 | 18,196,148 | 509,231 |
| <u>Deferred Outflows of Resources</u> | | | | |
| Deferred outflows related to pension | 10,942 | 9,107 | 20,049 | - |
| Deferred outflows related to OPEB | 7,508 | 6,249 | 13,757 | - |
| Deferred charge on refunding | - | 260,744 | 260,744 | - |
| Total Deferred Outflows of Resources | \$ 18,450 | \$ 276,100 | \$ 294,550 | \$ - |

City of Buffalo, Texas
STATEMENT OF NET POSITION (Continued)
September 30, 2021

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|----------------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total | Buffalo EDC |
| <u>Liabilities</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 77,970 | \$ 71,967 | \$ 149,937 | \$ 15,704 |
| Accrued interest payable | 1,824 | 11,848 | 13,672 | - |
| Customer deposits | - | 92,298 | 92,298 | - |
| Compensated absences, current | 41,266 | 2,824 | 44,090 | - |
| Long term debt due within one year | - | 331,608 | 331,608 | - |
| Current Liabilities | 121,060 | 510,545 | 631,605 | 15,704 |
| Noncurrent liabilities: | | | | |
| Compensated absences, noncurrent | 4,585 | 314 | 4,899 | - |
| Long-term debt due in more than one year | - | 4,865,860 | 4,865,860 | - |
| OPEB liability | 45,951 | 38,245 | 84,196 | - |
| Noncurrent Liabilities | 50,536 | 4,904,419 | 4,954,955 | - |
| Total Liabilities | 171,596 | 5,414,964 | 5,586,560 | 15,704 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Deferred inflows related to pension | 57,059 | 47,489 | 104,548 | - |
| Deferred inflows related to OPEB | 1,841 | 1,532 | 3,373 | - |
| Total Deferred Inflows of Resources | 58,900 | 49,021 | 107,921 | - |
| <u>Net Position</u> | | | | |
| Net investment in capital assets | 4,688,885 | 2,590,522 | 7,279,407 | 30,000 |
| Restricted for: | | | | |
| Debt service | 230,528 | - | 230,528 | - |
| Capital projects | 19,688 | - | 19,688 | - |
| Municipal court | 96,248 | - | 96,248 | - |
| Tourism | 137,702 | - | 137,702 | - |
| Federal and state grant programs | 29,876 | 235,644 | 265,520 | - |
| Pensions | 38,829 | 32,319 | 71,148 | - |
| Economic development | - | - | - | 463,527 |
| Unrestricted | 2,812,157 | 1,883,819 | 4,695,976 | - |
| Total Net Position | \$ 8,053,913 | \$ 4,742,304 | \$ 12,796,217 | \$ 493,527 |

See Notes to Financial Statements.

City of Buffalo, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities | | | | |
| General government | \$ 409,994 | \$ - | \$ 100,291 | \$ 302,911 |
| Public safety | 603,218 | (9,213) | - | 471,036 |
| Public works | 237,197 | 22,623 | - | - |
| Cultural and recreation | 139,886 | - | - | - |
| Total Governmental Activities | 1,390,295 | 13,410 | 100,291 | 773,947 |
| Business-Type Activities | | | | |
| Waterworks | 1,728,021 | 1,279,337 | - | - |
| Waterworks grants | - | - | - | 477,570 |
| Total Business-Type Activities | 1,728,021 | 1,279,337 | - | 477,570 |
| Total Primary Government | \$ 3,118,316 | \$ 1,292,747 | \$ 100,291 | 1,251,517 |
| Component Unit | | | | |
| Buffalo Economic | | | | |
| Development Corporation | \$ 209,498 | \$ - | \$ - | \$ - |
| Total Component Units | \$ 209,498 | - | - | - |

General Revenues:

Taxes
 Property taxes
 Sales taxes
 Franchise and local taxes
 Hotel occupancy taxes
 Investment income
 Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|-----------------------------|---------------|-----------------|
| Primary Government | | | Component Units |
| Governmental Activities | Business-Type Activities | Total | Buffalo EDC |
| \$ (6,792) | \$ - | \$ (6,792) | \$ - |
| (141,395) | - | (141,395) | - |
| (214,574) | - | (214,574) | - |
| (139,886) | - | (139,886) | - |
| (502,647) | - | (502,647) | - |
| - | (448,684) | (448,684) | - |
| - | 477,570 | 477,570 | - |
| - | 28,886 | 28,886 | - |
| (502,647) | 28,886 | (473,761) | - |
| | | | (209,498) |
| | | | (209,498) |
| 550,003 | - | 550,003 | - |
| 927,956 | - | 927,956 | 175,994 |
| 107,669 | - | 107,669 | - |
| 176,993 | - | 176,993 | - |
| 36,262 | 18,914 | 55,176 | 2,465 |
| 27,433 | 33,518 | 60,951 | 4,341 |
| (419,550) | 419,550 | - | - |
| 1,406,766 | 471,982 | 1,878,748 | 182,800 |
| 904,119 | 500,868 | 1,404,987 | (26,698) |
| 7,149,794 | 4,241,436 | 11,391,230 | 520,225 |
| \$ 8,053,913 | \$ 4,742,304 | \$ 12,796,217 | \$ 493,527 |

City of Buffalo, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2021

| | General | Debt Service | Grants | Hotel/Motel |
|--|---------------------|-------------------|------------------|-------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 2,081,410 | \$ 227,953 | \$ 59,201 | \$ 89,098 |
| Investments | 783,413 | - | - | - |
| Receivables, net | 277,264 | 69,868 | - | 48,369 |
| Due from other funds | - | 2,575 | - | 235 |
| Total Assets | \$ 3,142,087 | \$ 300,396 | \$ 59,201 | \$ 137,702 |
| <u>Liabilities</u> | | | | |
| Accounts payable and accrued liabilities | \$ 48,645 | \$ - | \$ 29,325 | \$ - |
| Due to other funds | 196,275 | - | - | - |
| Total Liabilities | 244,920 | - | 29,325 | - |
| <u>Deferred Inflows of Resources</u> | | | | |
| Unavailable revenue - | | | | |
| Property taxes | 21,350 | 69,868 | - | - |
| Court fines | 76,381 | - | - | - |
| Total Deferred Inflows | 97,731 | 69,868 | - | - |
| <u>Fund Balances</u> | | | | |
| Restricted for: | | | | |
| Debt service | - | 230,528 | - | - |
| Capital projects | - | - | - | - |
| Municipal court | 96,248 | - | - | - |
| Tourism | - | - | - | 137,702 |
| Federal and state grant programs | - | - | 29,876 | - |
| Unassigned | 2,703,188 | - | - | - |
| Total Fund Balances | 2,799,436 | 230,528 | 29,876 | 137,702 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 3,142,087 | \$ 300,396 | \$ 59,201 | \$ 137,702 |

See Notes to Financial Statements.

| Nonmajor Capital Projects | Total Governmental Funds |
|--|---|
| \$ 19,688 | \$ 2,477,350 |
| - | 783,413 |
| - | 395,501 |
| - | 2,810 |
| <u>\$ 19,688</u> | <u>\$ 3,659,074</u> |

| | |
|----------|----------------|
| \$ - | \$ 77,970 |
| - | 196,275 |
| <u>-</u> | <u>274,245</u> |

| | |
|----------|----------------|
| - | 91,218 |
| - | 76,381 |
| <u>-</u> | <u>167,599</u> |

| | |
|------------------|---------------------|
| - | 230,528 |
| 19,688 | 19,688 |
| - | 96,248 |
| - | 137,702 |
| - | 29,876 |
| - | 2,703,188 |
| <u>19,688</u> | <u>3,217,230</u> |
| <u>\$ 19,688</u> | <u>\$ 3,659,074</u> |



City of Buffalo, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2021

| | |
|---|---------------------|
| Fund Balances - Total Governmental Funds | \$ 3,217,230 |
|---|---------------------|

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

| | |
|----------------------------------|-----------|
| Capital assets - non-depreciable | 592,331 |
| Capital assets - net depreciable | 4,125,883 |

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

| | |
|-------------------------|--------|
| Property tax receivable | 91,218 |
| Fines receivable | 76,381 |
| Net pension asset | 84,946 |

Deferred outflows (inflows) of resources represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow (inflows) of resources (expense/expenditure)/(revenue) until then.

| | |
|------------------|----------|
| Pension outflows | 10,942 |
| Pension inflows | (57,059) |
| OPEB outflows | 7,508 |
| OPEB inflows | (1,841) |

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

| | |
|----------------------|----------|
| Accrued interest | (1,824) |
| Compensated absences | (45,851) |
| OPEB liability | (45,951) |

| | |
|--|---------------------|
| Net Position of Governmental Activities | \$ 8,053,913 |
|--|---------------------|

See Notes to Financial Statements.

City of Buffalo, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

| | General | Debt Service | Grants | Hotel/Motel |
|--|---------------------|-------------------|------------------|-------------------|
| Revenues | | | | |
| Property tax | \$ 125,501 | \$ 423,548 | \$ - | \$ - |
| Sales tax | 927,956 | - | - | - |
| Franchise and local taxes | 107,669 | - | - | - |
| Hotel occupancy taxes | - | - | - | 176,993 |
| License, permits and fees | 22,623 | - | - | - |
| Intergovernmental | 182,872 | - | 773,947 | - |
| Fines and forfeitures | 233,425 | - | - | - |
| Contracted police services | 840 | - | - | - |
| Credit card convenience fees | 33 | - | - | - |
| Investment income | 32,423 | 2,331 | - | 1,508 |
| Other revenue | 10,293 | - | 1 | 4,855 |
| Total Revenues | 1,643,635 | 425,879 | 773,948 | 183,356 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 364,689 | 400 | 5,300 | 10,217 |
| Streets | 200,638 | - | 298,272 | - |
| Parks - animal control | 70,548 | - | - | - |
| Library | 20,132 | - | - | - |
| Municipal court | 188,555 | - | - | - |
| Police | 277,282 | - | - | - |
| Fire | 143,542 | - | 475,500 | - |
| Culture and recreation | - | - | - | 56,283 |
| Debt Service: | | | | |
| Principal | - | - | - | 180,000 |
| Interest and fiscal charges | - | - | - | 4,538 |
| Capital outlay | - | - | - | - |
| Total Expenditures | 1,265,386 | 400 | 779,072 | 251,038 |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures | 378,249 | 425,479 | (5,124) | (67,682) |
| Other Financing Sources (Uses) | | | | |
| Transfers (out) | - | (419,550) | - | - |
| Insurance recoveries | 36,699 | - | - | - |
| Total Other Sources (Uses) | 36,699 | (419,550) | - | - |
| Net Change in Fund Balances | 414,948 | 5,929 | (5,124) | (67,682) |
| Beginning fund balances | 2,384,488 | 224,599 | 35,000 | 205,384 |
| Ending Fund Balances | \$ 2,799,436 | \$ 230,528 | \$ 29,876 | \$ 137,702 |

See Notes to Financial Statements.

| Nonmajor Capital Projects | Total Governmental Funds |
|--|---|
| \$ - | \$ 549,049 |
| - | 927,956 |
| - | 107,669 |
| - | 176,993 |
| - | 22,623 |
| - | 956,819 |
| - | 233,425 |
| - | 840 |
| - | 33 |
| - | 36,262 |
| 171 | 15,320 |
| <u>171</u> | <u>3,026,989</u> |
| - | 380,606 |
| - | 498,910 |
| - | 70,548 |
| - | 20,132 |
| - | 188,555 |
| - | 277,282 |
| - | 619,042 |
| - | 56,283 |
| - | 180,000 |
| - | 4,538 |
| 2,438 | 2,438 |
| <u>2,438</u> | <u>2,298,334</u> |
| (2,267) | 728,655 |
| - | (419,550) |
| - | 36,699 |
| - | <u>(382,851)</u> |
| (2,267) | 345,804 |
| 21,955 | 2,871,426 |
| <u>\$ 19,688</u> | <u>\$ 3,217,230</u> |



City of Buffalo, 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

Amounts reported for governmental activities in the statement of activities are different because:

| | | |
|---|----|---------|
| Net changes in fund balances - total governmental funds | \$ | 345,804 |
|---|----|---------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|---------------------------|-----------|
| Capital outlay | 931,243 |
| Depreciation expense | (222,331) |
| Loss on disposal of asset | (25,459) |

| | |
|--|-----------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (324,265) |
|--|-----------|

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | |
|----------------------|----------|
| Compensated absences | (13,089) |
| Accrued interest | 4,538 |
| Pension expense | 34,230 |
| OPEB expense | (6,552) |

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | |
|--------------------------------------|---------|
| Principal payments on long-term debt | 180,000 |
|--------------------------------------|---------|

| | | |
|--|-----------|----------------|
| Change in Net Position of Governmental Activities | \$ | 904,119 |
|--|-----------|----------------|

See Notes to Financial Statements.

City of Buffalo, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2021

| | Water Works | Nonmajor Water Works Grants | Total Proprietary Funds |
|--|-------------------|-----------------------------------|-------------------------------|
| <u>Assets</u> | | | |
| <u>Current Assets</u> | | | |
| Cash and cash equivalents | \$ 1,512,628 | \$ 235,644 | \$ 1,748,272 |
| Investments | 261,513 | - | 261,513 |
| Receivables, net | 129,182 | - | 129,182 |
| Due from other funds | 193,465 | - | 193,465 |
| Total Current Assets | 2,096,788 | 235,644 | 2,332,432 |
| <u>Noncurrent Assets</u> | | | |
| Capital assets: | | | |
| Non-depreciable | 67,537 | - | 67,537 |
| Net depreciable capital assets | 7,459,519 | - | 7,459,519 |
| Net pension asset | 70,701 | - | 70,701 |
| Total Noncurrent Assets | 7,597,757 | - | 7,597,757 |
| Total Assets | 9,694,545 | 235,644 | 9,930,189 |
| <u>Deferred Outflows of Resources</u> | | | |
| Deferred outflows related to pension | 9,107 | - | 9,107 |
| Deferred outflows related to OPEB | 6,249 | - | 6,249 |
| Deferred charge on refunding | 260,744 | - | 260,744 |
| Total Deferred Outflows | \$ 276,100 | \$ - | \$ 276,100 |

City of Buffalo, Texas
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
September 30, 2021

| | <u>Water Works</u> | <u>Nonmajor Water Works Grants</u> | <u>Total Proprietary Funds</u> |
|---|------------------------|--|--|
| <u>Liabilities</u> | | | |
| <u>Current Liabilities</u> | | | |
| Accounts payable | | | |
| and accrued liabilities | \$ 71,967 | \$ - | \$ 71,967 |
| Accrued interest | 11,848 | - | 11,848 |
| Customer deposits | 92,298 | - | 92,298 |
| Compensated absences - current | 2,824 | - | 2,824 |
| Notes payable - current | 51,608 | - | 51,608 |
| Bonds payable - current | 280,000 | - | 280,000 |
| Total Current Liabilities | <u>510,545</u> | <u>-</u> | <u>510,545</u> |
| <u>Noncurrent Liabilities</u> | | | |
| Compensated absences, noncurrent | 314 | - | 314 |
| Notes payable - noncurrent | 292,687 | - | 292,687 |
| Bonds payable - noncurrent | 4,573,173 | - | 4,573,173 |
| OPEB liability | 38,245 | - | 38,245 |
| Total Liabilities | <u>5,414,964</u> | <u>-</u> | <u>5,414,964</u> |
| <u>Deferred Inflows of Resources</u> | | | |
| Deferred inflows related to pension | 47,489 | - | 47,489 |
| Deferred inflows related to OPEB | 1,532 | - | 1,532 |
| Total Deferred Inflows | <u>49,021</u> | <u>-</u> | <u>49,021</u> |
| <u>Net Position</u> | | | |
| Net investment in capital assets | 2,590,522 | - | 2,590,522 |
| Restricted for: | | | |
| Grants | - | 235,644 | 235,644 |
| Pensions | 32,319 | - | 32,319 |
| Unrestricted | 1,883,819 | - | 1,883,819 |
| Total Net Position | <u>\$ 4,506,660</u> | <u>\$ 235,644</u> | <u>\$ 4,742,304</u> |

See Notes to Financial Statements.



City of Buffalo, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2021

| | Water Works | Nonmajor Water Works Grants | Total Proprietary Funds |
|---|---------------------|-----------------------------------|-------------------------------|
| <u>Operating Revenues</u> | | | |
| Charges for services | \$ 1,237,022 | \$ - | \$ 1,237,022 |
| Penalties and fees | 27,706 | - | 27,706 |
| Intergovernmental | 1,017 | - | 1,017 |
| Other revenue | 13,592 | - | 13,592 |
| Total Operating Revenues | 1,279,337 | - | 1,279,337 |
| <u>Operating Expenses</u> | | | |
| Salaries and benefitis | 342,223 | - | 342,223 |
| Supplies and materials | 99,759 | - | 99,759 |
| Maintenance and operations | 163,602 | - | 163,602 |
| Professional services | 59,337 | - | 59,337 |
| Insurance | 27,192 | - | 27,192 |
| Sanitation contract | 277,454 | - | 277,454 |
| Other expenses | 35,336 | - | 35,336 |
| Depreciation | 439,880 | - | 439,880 |
| Capital outlay | 750 | - | 750 |
| Total Operating Expenses | 1,445,533 | - | 1,445,533 |
| Operating Income (Loss) | (166,196) | - | (166,196) |
| <u>Nonoperating Revenues (Expenses)</u> | | | |
| Investment income | 18,914 | - | 18,914 |
| Insurance recoveries | 33,518 | - | 33,518 |
| Loss on sale of capital assets | (134,014) | - | (134,014) |
| Interest expense | (148,474) | - | (148,474) |
| Total Nonoperating Revenues (Expenses) | (230,056) | - | (230,056) |
| Income (Loss) Before Capital Contributions and Transfers | (396,252) | - | (396,252) |
| <u>Capital Contributions and Transfers</u> | | | |
| Capital grants | - | 477,570 | 477,570 |
| Transfers in | 676,400 | - | 676,400 |
| Transfers (out) | - | (256,850) | (256,850) |
| Change in Net Position | 280,148 | 220,720 | 500,868 |
| Beginning net position | 4,226,512 | 14,924 | 4,241,436 |
| Ending Net Position | \$ 4,506,660 | \$ 235,644 | \$ 4,742,304 |

See Notes to Financial Statements.

City of Buffalo, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2021

| | Water Works | Water Works Grant Fund | Total Proprietary Funds |
|--|------------------------|---------------------------------------|--|
| <u>Cash Flows from Operating Activities</u> | | | |
| Receipts from customers | \$ 1,284,106 | \$ - | \$ 1,284,106 |
| Payments to suppliers | (660,097) | - | (660,097) |
| Payments to employees | (351,401) | - | (351,401) |
| Net Cash Provided (Used) by Operating Activities | 272,608 | - | 272,608 |
| <u>Cash Flows from Noncapital Financing Activities</u> | | | |
| Insurance recoveries | 33,518 | - | 33,518 |
| Transfers in | 661,452 | - | 661,452 |
| Transfers (out) | - | (241,926) | (241,926) |
| Net Cash Provided by Noncapital Financing Activities | 694,970 | (241,926) | 453,044 |
| <u>Cash Flows from Capital and Related Financing Activities</u> | | | |
| Capital purchases | (772,786) | - | (772,786) |
| Proceeds from debt issuance | 381,990 | - | 381,990 |
| Capital grants | - | 477,570 | 477,570 |
| Principal paid on debt | (312,885) | - | (312,885) |
| Interest paid on debt | (153,342) | - | (153,342) |
| Net Cash (Used for) Capital and Related Financing Activities | (857,023) | 477,570 | (379,453) |
| <u>Cash Flows from Investing Activities</u> | | | |
| Purchase of investments | (5,824) | - | (5,824) |
| Interest on investments | 18,914 | - | 18,914 |
| Net Cash Provided (Used) by Investing Activities | 13,090 | - | 13,090 |
| Net increase in Cash and Cash Equivalents | 123,645 | 235,644 | 359,289 |
| Beginning cash and cash equivalents | 1,388,983 | - | 1,388,983 |
| Ending Cash and Cash Equivalents | \$ 1,512,628 | \$ 235,644 | \$ 1,748,272 |

See Notes to Financial Statements.

City of Buffalo, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2021

| | Water & Sewer | Water Capital Projects | Total Proprietary Funds |
|--|------------------------------|---------------------------------------|--|
| <u>Reconciliation of Operating Income (Loss)</u> | | | |
| <u>to Net Cash Provided (Used) by Operating Activities</u> | | | |
| Operating (loss) | \$ (166,196) | \$ - | \$ (166,196) |
| Adjustments to reconcile operating income to net cash provided: | | | |
| Depreciation | 439,880 | - | 439,880 |
| Changes in Operating Assets and Liabilities: | | | |
| (Increase) Decrease in: | | | |
| Accounts receivable | (3,011) | - | (3,011) |
| Due from other funds | (4,463) | 4,732 | 269 |
| Net pension asset | (26,042) | - | (26,042) |
| Increase (Decrease) in: | | | |
| Accounts payable and accrued liabilities | 7,796 | (4,732) | 3,064 |
| Customer deposits | 7,780 | - | 7,780 |
| Deferred inflows/outflows - Pension | 14,191 | - | 14,191 |
| Deferred inflows/outflows - OPEB | (1,511) | - | (1,511) |
| OPEB liability | 4,184 | - | 4,184 |
| Net Cash Provided (Used) by Operating Activities | \$ 272,608 | \$ - | \$ 272,608 |

Schedule of Noncash Investing and Financing Activities:

| | | | |
|--|---------------------|-------------|---------------------|
| Contributions of capital assets from City to another entity | \$ (134,014) | \$ - | \$ (134,014) |
| | <u>\$ (134,014)</u> | <u>\$ -</u> | <u>\$ (134,014)</u> |

See Notes to Financial Statements.



City of Buffalo, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Buffalo, Texas (the "City") was incorporated under the laws of the State of Texas in 1939. The City operates under a "General Law" City which provides for a "Mayor-Council" form of government. All powers of the City shall be vested in an elective council, hereinafter referred to as the "Council," which shall enact local legislation, adopt budgets, determine policies, and appoint the City Attorney and the Judge of the Municipal Court. The City provides the following services: public safety (police and fire), animal control, culture and recreation, public works, municipal court, general administration, and water and sewer.

A. Description of Government-Wide Financial Statements

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

B. Financial Reporting Entity

The City of Buffalo is a municipal corporation governed by an elected mayor and a five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the government.

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and 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.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government.

Discretely Presented Component Unit

Buffalo Economic Development Corporation

The Buffalo Economic Development Corporation (the "EDC") was formed to promote the public welfare and economic development for the areas within the City of Buffalo as authorized by the State under the Texas Development Corporation Act of 1979 and is governed by Section 4B of the act. The 4B Corporation receives funding from a one-half cent sales tax. The EDC serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can impose its will on the EDC and affect the day-to-day operations of the EDC by removing appointed board members at will. The scope of public service of the EDC benefits the City and its citizens and is operated within the geographic boundaries of the City. Since the EDC's governing body is not substantively the same as the governing body of the primary government, does not provide services entirely, or almost entirely to the primary government, nor does it maintain debt of any type that are repaid using City resources, it has been reported as a discretely presented component unit. The nature and significance of the relationship between the primary government and the EDC is such that exclusion would cause the City's financial statements to be misleading or incomplete. Separately issued audited financial statements are available from the EDC, P.O. Box 1196, Buffalo, Texas 76567.

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

C. Basis of Presentation - Government-Wide and Fund Financial Statements

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

As discussed earlier, the government has one discretely presented component unit and is shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

The government reports the following governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, hotel occupancy taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, streets, public safety, culture and recreation, municipal court, and animal control. This fund is considered to be a major fund.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all certificates of obligation, general obligation bonds, and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. This fund is considered to be a major fund.

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Hotel/Motel Fund

This fund accounts for funds derived from hotel and motel occupancy taxes and is legally restricted to promote tourism within the City. The fund is considered a major fund for reporting purposes.

Grants Fund

The Grants Fund is used to account for grant funds awarded to and received by the City for governmental activity projects. The fund is considered a major fund for reporting purposes.

Capital Projects Fund

The Capital Projects Fund is used to account for funds received and expended for acquisition and construction of governmental infrastructure and other capital assets. The fund is considered a non-major fund.

The government reports the following major enterprise funds:

Water Works Fund

The Water Works Fund is used to account for the provision of water, sewer, and sanitation services to the residents of the City and others. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary to ensure integrity of the funds.

Water Works Grants Fund

The Water Works Grants Fund is used to account for grant funds awarded to and received by the City for business-type activity projects. The fund is considered a non-major fund for reporting purposes.

City of Buffalo, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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

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

D. Measurement focus and basis of accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However,

City of Buffalo, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

E. Assets, Liabilities, and Fund Equity or Net Position

1. 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 the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

City of Buffalo, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value Measurement

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (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" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories of supplies are reported at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized (the consumption method).

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

| Asset Description | Estimated Useful Life |
|----------------------------|------------------------------|
| Vehicles | 2 -15 years |
| Office equipment | 3 - 15 years |
| Computer equipment | 3 - 15 years |
| Infrastructure | 30 years |
| Buildings and improvements | 20 - 50 years |

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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.

An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net 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

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, 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 funds balance sheet.

7. Net Position Flow Assumption

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

8. Fund Balance Flow Assumptions

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

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the fund.

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

Amounts of vested or accumulated sick leave and compensatory time that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

11. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable, loans payable, and unamortized premiums.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

12. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

13. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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.

14. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

F. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on

City of Buffalo, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, grants, hotel/motel, debt service, and capital projects

City of Buffalo, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

funds. The original budget is adopted by the City Council prior to the beginning of the year. Given the City does not employ department heads, the legal level of control is defined as the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Supplemental budget appropriations were made during the year.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2021, the primary government had the following investments:

| Investment Type | Value | Weighted Average Maturity (Yrs) |
|--------------------------|--------------|------------------------------------|
| Certificates of deposits | \$ 1,044,926 | 0.23 |
| Total fair value | \$ 1,044,926 | |

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity to an average of 90 days or less; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2021, the market values of pledged securities and FDIC exceeded bank balances.

City of Buffalo, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

B. Receivables

The following comprise receivable balances of the primary government at year end:

| | General | Debt Service | Hotel Motel | Water Works | Total |
|-----------------|-------------------|---------------------|------------------------|------------------------|-------------------|
| Property taxes | \$ 60,569 | \$ 69,868 | \$ - | \$ - | \$ 130,437 |
| Sales tax | 179,533 | - | - | - | 179,533 |
| Occupancy taxes | - | - | 48,369 | - | 48,369 |
| Court fines | 152,762 | - | - | - | 152,762 |
| Accounts | - | - | - | 169,849 | 169,849 |
| Allowance | (115,600) | - | - | (40,667) | (156,267) |
| | <u>\$ 277,264</u> | <u>\$ 69,868</u> | <u>\$ 48,369</u> | <u>\$ 129,182</u> | <u>\$ 524,683</u> |

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

| | Beginning Balances | Increases | Decreases/ Reclassifications | Ending Balances |
|--|-------------------------------|--------------------------|---|----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 229,258 | \$ - | \$ - | \$ 229,258 |
| Construction in progress | 69,218 | 328,097 | (34,242) | 363,073 |
| Total capital assets not being depreciated | <u>298,476</u> | <u>328,097</u> | <u>(34,242)</u> | <u>592,331</u> |
| Capital assets, being depreciated: | | | | |
| Road network | 1,568,108 | - | - | 1,568,108 |
| Buildings and improvements | 3,801,284 | - | 34,242 | 3,835,526 |
| Equipment | 503,172 | 20,078 | - | 523,250 |
| Vehicles | 1,105,209 | 583,068 | (203,676) | 1,484,601 |
| Total capital assets being depreciated | <u>6,977,773</u> | <u>603,146</u> | <u>(169,434)</u> | <u>7,411,485</u> |
| Less accumulated depreciation | | | | |
| Road network | (730,097) | (42,975) | - | (773,072) |
| Buildings and improvements | (1,239,590) | (96,091) | - | (1,335,681) |
| Equipment | (465,616) | (11,569) | - | (477,185) |
| Vehicles | (806,185) | (71,696) | 178,217 | (699,664) |
| Total accumulated depreciation | <u>(3,241,488)</u> | <u>(222,331)</u> | <u>178,217</u> | <u>(3,285,602)</u> |
| Net capital assets being depreciated | 3,736,285 | 380,815 | 8,783 | 4,125,883 |
| Total Capital Assets | <u><u>\$ 4,034,761</u></u> | <u><u>\$ 708,912</u></u> | <u><u>\$ (25,459)</u></u> | <u><u>\$ 4,718,214</u></u> |

Depreciation was charged to governmental functions as follows:

| | |
|---|--------------------------|
| General government | \$ 34,701 |
| Public safety | 77,376 |
| Public works | 46,292 |
| Cultural and recreation | 63,962 |
| Total Governmental Activities Depreciation Expense | <u><u>\$ 222,331</u></u> |

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

A summary of changes in business-type activities capital assets for the year end was as follows:

| | Beginning Balances | Increases | Decreases/ Reclassifications | Ending Balances |
|--|-------------------------------|--------------------------|---|----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 67,537 | \$ - | \$ - | \$ 67,537 |
| Construction in progress | 249,737 | 285,976 | (535,713) | - |
| Total capital assets not being depreciated | <u>317,274</u> | <u>285,976</u> | <u>(535,713)</u> | <u>67,537</u> |
| Capital assets, being depreciated: | | | | |
| Equipment | 119,821 | - | - | 119,821 |
| Vehicles | 121,148 | 25,109 | - | 146,257 |
| Water system | 5,652,124 | 461,701 | 401,699 | 6,515,524 |
| Sewer system | 7,170,950 | - | - | 7,170,950 |
| Office furniture and equipment | 3,510 | - | - | 3,510 |
| Total capital assets being depreciated | <u>13,067,553</u> | <u>486,810</u> | <u>401,699</u> | <u>13,956,062</u> |
| Less accumulated depreciation | | | | |
| Equipment | (96,480) | (4,398) | - | (100,878) |
| Vehicles | (76,031) | (17,137) | - | (93,168) |
| Water system | (2,299,946) | (191,993) | - | (2,491,939) |
| Sewer system | (3,580,696) | (226,352) | - | (3,807,048) |
| Office furniture and equipment | (3,510) | - | - | (3,510) |
| Total accumulated depreciation | <u>(6,056,663)</u> | <u>(439,880)</u> | <u>-</u> | <u>(6,496,543)</u> |
| Net capital assets being depreciated | <u>7,010,890</u> | <u>46,930</u> | <u>401,699</u> | <u>7,459,519</u> |
| Total Capital Assets | <u><u>\$ 7,328,164</u></u> | <u><u>\$ 332,906</u></u> | <u><u>\$ (134,014)</u></u> | <u><u>\$ 7,527,056</u></u> |

Depreciation was charged to business-type activities as follows:

| | |
|--|--------------------------|
| Water works | <u>\$ 439,880</u> |
| Total Business-Type Activities Depreciation Expense | <u><u>\$ 439,880</u></u> |

As of September 30, 2021, the City's component unit held land assets totaling \$30,000.

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

D. Other Long-term Liabilities

The following summarizes the changes in other long-term liabilities of the primary government during the year. In general, the City uses the general and enterprise funds to liquidate compensated absences.

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|------------------------------|------------------|-------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 32,762 | \$ 13,089 | \$ - | \$ 45,851 | \$ 41,266 |
| Total Governmental Activities | <u>\$ 32,762</u> | <u>\$ 13,089</u> | <u>\$ -</u> | <u>\$ 45,851</u> | <u>\$ 41,266</u> |
| Other Long-term Liabilities Due in More than One Year | | | | <u>\$ 4,585</u> | |
| Business-Type Activities: | | | | | |
| Compensated Absences | \$ 3,138 | \$ - | \$ - | \$ 3,138 | \$ 2,824 |
| Total Business-Type Activities | <u>\$ 3,138</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,138</u> | <u>\$ 2,824</u> |
| Other Long-term Liabilities Due in More than One Year | | | | <u>\$ 314</u> | |

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

E. Long-term Debt

In general, the City uses the special revenue fund and water works fund to liquidate long-term liabilities. The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2021.

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due within One Year |
|--|------------------------------|-------------------|---------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Notes from direct borrowings | \$ 180,000 | \$ - | \$ (180,000) | \$ - | \$ - |
| Total Governmental Activities | <u>\$ 180,000</u> | <u>\$ -</u> | <u>\$ (180,000)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Long-term liabilities due in more than one year | | | | <u>\$ -</u> | |
| Business-Type Activities: | | | | | |
| General Obligation Bonds | \$ 4,820,000 | \$ - | \$ (275,000) | \$ 4,545,000 | \$ 280,000 |
| Premium | 324,831 | - | (16,468) | 308,363 | - |
| Meter loan | - | 381,990 | (37,885) | 344,105 | 51,608 |
| Total Business-Type Activities | <u>\$ 5,144,831</u> | <u>\$ 381,990</u> | <u>\$ (329,353)</u> | <u>\$ 5,197,468</u> | <u>\$ 331,608</u> |
| Long-term liabilities due in more than one year | | | | <u>\$ 4,865,860</u> | |

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund.

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Long-term debt at year end was comprised of the following debt issues:

| | Governmental Activities | Business - Type Activities | Total |
|---|------------------------------------|---|---------------------|
| General Obligation Bonds: | | | |
| \$5,535,000 General Obligation Refunding, Series 2016, due in annual installments through 2040, interest at 2.75% to 4.00% | \$ - | \$ 4,545,000 | \$ 4,545,000 |
| Total General Obligation Bonds | \$ - | \$ 4,545,000 | \$ 4,545,000 |
| Loan | | | |
| \$381,990 loan from Citizens St. Bank, due in annual installments through 2027, interest at 2.43% | \$ - | \$ 344,105 | \$ 344,105 |
| Total Loans | \$ - | \$ 344,105 | \$ 344,105 |
| Less deferred amounts: | | | |
| Issuance premium | \$ - | \$ 308,363 | \$ 308,363 |
| Total deferred amounts | \$ - | \$ 308,363 | \$ 308,363 |
| Total Long-Term Debt | \$ - | \$ 5,197,468 | \$ 5,197,468 |

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

| Year ending September 30, | General Obligation Bond | |
|--------------------------------------|--------------------------------|---------------------|
| | Principal | Interest |
| 2022 | \$ 280,000 | \$ 133,450 |
| 2023 | 295,000 | 121,950 |
| 2024 | 305,000 | 109,950 |
| 2025 | 320,000 | 97,450 |
| 2026-2030 | 1,720,000 | 358,325 |
| 2031-2035 | 1,055,000 | 140,325 |
| 2036-2040 | 570,000 | 43,500 |
| Total | \$ 4,545,000 | \$ 1,004,950 |

| Year ending September 30, | Meter Loan | |
|--------------------------------------|-------------------|------------------|
| | Principal | Interest |
| 2022 | \$ 51,608 | \$ 7,797 |
| 2023 | 52,877 | 6,528 |
| 2024 | 54,164 | 5,241 |
| 2025 | 55,511 | 3,894 |
| 2026 | 56,877 | 2,528 |
| 2027 | 58,277 | 1,129 |
| 2028 | 14,791 | 60 |
| Total | \$ 344,105 | \$ 27,177 |

F. Deferred Loss on Refunding

A deferred loss resulting from the issuance of the 2016 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for business-type activity totaled \$260,744. Current year amortization expense for business-type activities totaled \$13,723.

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

G. Interfund Transactions

Transfers between the primary government funds during the 2021 year were as follows:

| <u>Transfers In</u> | | |
|----------------------|--------------------|-------------------|
| <u>Transfers Out</u> | <u>Water Works</u> | <u>Total</u> |
| Debt Service | \$ 419,550 | \$ 419,550 |
| Water Works - Grants | 256,850 | 256,850 |
| Total | <u>\$ 676,400</u> | <u>\$ 676,400</u> |

The compositions of interfund balances as of year end were as follows:

| <u>Due to:</u> | | |
|--|-------------------|-------------------|
| <u>Due from: (Receiving Fund):</u> | <u>General</u> | <u>Total</u> |
| Debt service | \$ 2,575 | 2,575 |
| Hotel/motel | 235 | 235 |
| Water works | 193,465 | 193,465 |
| Total | <u>\$ 196,275</u> | <u>\$ 196,275</u> |

The purpose of interfund receivables and payables is to loan cash between funds. All balances are expected to be settled with issuance of new debt or the collection of property taxes.

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

H. Restricted Net Position

The City records restricted net position to indicate that a portion is legally restricted for a specific future use.

The following is a list of restricted net position of the City:

| | Governmental Activities | Business-Type Activities | Buffalo EDC |
|------------------------|------------------------------------|-------------------------------------|------------------------|
| Restricted for: | | | |
| Debt service | \$ 230,528 | \$ - | \$ - |
| Capital projects | 19,688 | - | - |
| * Municipal court | 96,248 | | |
| Tourism | 137,702 | - | - |
| * Grant programs | 29,876 | 235,644 | - |
| Economic development | - | - | 463,527 |
| Pensions | 38,829 | 32,319 | - |
| Total | \$ 552,871 | \$ 267,963 | \$ 463,527 |

* Restricted by enabling legislation

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

City of Buffalo, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

GASB 62 defines probability of loss contingencies as the following:

Probable. The future event or events are likely to occur.

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The City is involved in lawsuits with other parties from time to time. While the ultimate result of these matters cannot be predicted with certainty, the City does not expect them to have a materially adverse effect on its Basic Financial Statements.

C. Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

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

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

2. 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.

City of Buffalo, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Plan provisions for the City were as follows:

| | <u>Plan Year 2020</u> | <u>Plan Year 2019</u> |
|--|-----------------------|-----------------------|
| Employee deposit rate | 5.0% | 5.0% |
| Matching ratio (City to employee) | 2 to 1 | 2 to 1 |
| Years required for vesting | 5 | 5 |
| Service retirement eligibility (expressed as age / years of service) | 60/5, 0/25 | 60/5, 0/25 |
| Updated service credit | 0% | 0% |
| Annuity increase (to retirees) | 0% of CPI | 0% of CPI |

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 | 11 |
| Inactive employees entitled to but not yet receiving benefits | 10 |
| Active employees | 18 |
| Total | 39 |

3. Contributions

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

City of Buffalo, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Employees for the City of Buffalo were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Buffalo were 4.82% and 4.23% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$25,240, and were equal to the required contributions.

4. 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, including inflation |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-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 is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 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.

City of Buffalo, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|-------------------|---|
| Global Equity | 30.0% | 5.30% |
| Core Fixed Income | 10.0% | 1.25% |
| Non-Core Fixed Income | 20.0% | 4.14% |
| Real Return | 10.0% | 3.85% |
| Real Estate | 10.0% | 4.00% |
| Absolute Return | 10.0% | 3.48% |
| Private Equity | 10.0% | 7.75% |
| Total | 100.0% | |

Discount Rate:

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

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) 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 5.75% | Current Single Rate Assumption 6.75% | 1% Increase 7.75% |
|----------------------|---|----------------------|
| \$ (2,937) | \$ (155,647) | \$ (286,473) |

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Changes in the Net Pension Liability:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension (Asset) Liability (a) – (b) |
|--|--|--|--|
| Balance at 12/31/19 | \$ 1,541,746 | \$ 1,618,180 | \$ (76,434) |
| Changes for the year: | | | |
| Service Cost | 65,146 | - | 65,146 |
| Interest | 103,478 | - | 103,478 |
| Difference between expected and actual experience | (57,815) | - | (57,815) |
| Changes of assumptions | - | - | - |
| Contributions – employer | - | 33,372 | (33,372) |
| Contributions – employee | - | 34,615 | (34,615) |
| Net investment income | - | 122,861 | (122,861) |
| Benefit payments, including refunds of emp. contributions | (82,637) | (82,637) | - |
| Administrative expense | - | (795) | 795 |
| Other changes | - | (31) | 31 |
| Net changes | 28,172 | 107,385 | (79,213) |
| Balance at 12/31/20 | \$ 1,569,918 | \$ 1,725,565 | \$ (155,647) |

Pension Plan Fiduciary Net Position:

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

5. 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 income of \$22,928.

City of Buffalo, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

At September 30, 2021, the City reported deferred outflows and 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 | \$ - | \$ 57,634 |
| Changes in actuarial assumptions | 2,997 | - |
| Difference between projected and investment earnings | - | 46,914 |
| Contributions subsequent to the measurement date | 17,052 | - |
| Total | \$ 20,049 | \$ 104,548 |

The City reported \$17,052 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that 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 December 31: | |
|------------------------------------|---------------------|
| 2021 | \$ (47,250) |
| 2022 | (20,295) |
| 2023 | (31,280) |
| 2024 | (2,726) |
| Thereafter | - |
| Total | \$ (101,551) |

Other Postemployment Benefits

The City also participates in a defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The 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.

City of Buffalo, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer's yearly contributions for retirees.

| The City offers supplemental death to: | Plan Year 2019 | Plan Year 2020 |
|--|----------------|----------------|
| Active employees (yes or no) | Yes | Yes |
| Retirees (yes or no) | Yes | Yes |

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

The City's contributions to the TMRS SDBF for the years ended 2021 and 2020 were \$1,046 and \$483, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates (RETIREE-only portion of the rate)

| Plan/ Calendar Year | Annual Required Contribution (Rate) | Actual Contribution Made (Rate) | Percentage of ARC Contributed |
|------------------------|---|---------------------------------------|----------------------------------|
| 2019 | 0.07% | 0.07% | 100.0% |
| 2020 | 0.07% | 0.07% | 100.0% |
| 2021 | 0.23% | 0.23% | 100.0% |

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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 | 10 |
| Inactive employees entitled to but not yet receiving benefits | 2 |
| Active employees | 18 |
| Total | 30 |

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2020, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

| | |
|--|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.5% to 11.5%, including inflation per year |
| 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 |

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

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.00%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

| 1% Decrease (1.00%) | Current Single Rate Assumption 2.00% | 1% Increase (3.00%) |
|------------------------|---|------------------------|
| \$ 100,146 | \$ 84,196 | \$ 71,584 |

Changes in the Total OPEB Liability:

| | Total OPEB Liability |
|---|-------------------------|
| Balance at 12/31/19 | \$ 71,917 |
| Changes for the year: | |
| Service Cost | 4,362 |
| Interest | 2,031 |
| Difference between expected and actual experience | (3,324) |
| Changes of assumptions | 9,695 |
| Benefit payments | (485) |
| Net changes | 12,279 |
| Balance at 12/31/20 | \$ 84,196 |

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$10,273.

City of Buffalo, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|--|
| Changes in actuarial assumption changes | \$ 12,829 | - |
| Difference between expected and actual experience | - | 3,373 |
| Contributions subsequent to measurement date | 928 | - |
| Total | \$ 13,757 | \$ 3,373 |

The City reported \$928 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

| | |
|--------------------------------|-----------------|
| Year ended December 31: | |
| 2022 | \$ 3,738 |
| 2023 | 3,253 |
| 2024 | 2,370 |
| 2025 | 95 |
| 2026 | - |
| Thereafter | - |
| | \$ 9,456 |

City of Buffalo, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

D. Restatement

The City has restated beginning net position/fund balance within governmental activities, business-type activities, the general fund, water works fund, and water works – grant fund due to corrections to deferred revenue and inventory. The restatement of beginning net position/fund balance is as follows:

| | Governmental Activities | General |
|--|------------------------------------|---------------------|
| Prior year ending net position/fund balance, as reported | \$ 7,149,794 | \$ 2,467,069 |
| Recognize deferred grant revenue | - | (82,581) |
| Restated beginning net position/fund balance | <u>\$ 7,149,794</u> | <u>\$ 2,384,488</u> |

| | Business-Type Activities | Water Works | Water Works - Grants |
|--|-------------------------------------|------------------------|---------------------------------|
| Prior year ending net position/fund balance, as reported | \$ 4,258,424 | \$ 4,258,424 | \$ - |
| Present nonmajor fund in bus. type activities | - | (14,924) | 14,924 |
| Correct inventory balances | (16,988) | (16,988) | - |
| Restated beginning net position/fund balance | <u>\$ 4,241,436</u> | <u>\$ 4,226,512</u> | <u>\$ 14,924</u> |

E. Subsequent Events

There were no material subsequent events through June 3, 2022, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION



City of Buffalo, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended September 30, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|------------------|---------------------|---|
| <u>Revenues</u> | | | | |
| Property tax | \$ 133,100 | \$ 133,100 | \$ 125,501 | \$ (7,599) |
| Sales tax | 1,005,800 | 1,005,800 | 927,956 | (77,844) |
| Franchise and local taxes | 118,900 | 118,900 | 107,669 | (11,231) |
| License, permits and fees | 21,100 | 21,100 | 22,623 | 1,523 |
| Intergovernmental | 3,250 | 100,465 | 182,872 | 82,407 |
| Fines and forfeitures | 250,000 | 250,310 | 233,425 | (16,885) |
| Contracted police services | 900 | 900 | 840 | (60) |
| Credit card convenience fees | 500 | 500 | 33 | (467) |
| Investment income | 20,000 | 20,000 | 32,423 | 12,423 |
| Other revenue | 30,000 | 31,007 | 10,293 | (20,714) |
| Total Revenues | 1,583,550 | 1,682,082 | 1,643,635 | (38,447) |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| General government | 314,695 | 403,889 | 364,689 | 39,200 |
| Streets | 400,980 | 400,980 | 200,638 | 200,342 |
| Parks - animal control | 140,750 | 144,738 | 70,548 | 74,190 |
| Library | 17,555 | 20,674 | 20,132 | 542 |
| Municipal court | 204,608 | 204,608 | 188,555 | 16,053 |
| Police | 291,955 | 301,947 | 277,282 | 24,665 |
| Fire | 129,650 | 144,416 | 143,542 | 874 |
| Total Expenditures | 1,500,193 | 1,621,252 | 1,265,386 | 355,866 |
| Revenues Over (Under) | | | | |
| Expenditures | 83,357 | 60,830 | 378,249 | 317,419 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Insurance recoveries | - | 35,680 | 36,699 | 1,019 |
| Total Other Financing Sources | - | 35,680 | 36,699 | 1,019 |
| Net Change in Fund Balance | \$ 83,357 | \$ 96,510 | 414,948 | \$ 318,438 |
| Beginning fund balance | | | 2,384,488 | |
| Ending Fund Balance | | | \$ 2,799,436 | |

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Buffalo, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GRANTS

For the Year Ended September 30, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|--------------------|--------------------|------------------|---|
| <u>Revenues</u> | | | | |
| Intergovernmental | \$ 848,950 | \$ 1,053,949 | \$ 773,947 | \$ (280,002) |
| Other revenue | - | 1 | 1 | - |
| Total Revenues | 848,950 | 1,053,950 | 773,948 | (280,002) |
| <u>Expenditures</u> | | | | |
| General government | - | 303,000 | 5,300 | 297,700 |
| Streets | 338,450 | 338,450 | 298,272 | 40,178 |
| Fire | 475,500 | 475,500 | 475,500 | - |
| Total Expenditures | 813,950 | 1,116,950 | 779,072 | 337,878 |
| Net Change in Fund Balance | \$ 35,000 | \$ (63,000) | (5,124) | \$ 57,876 |
| Beginning fund balance | | | 35,000 | |
| Ending Fund Balance | | | \$ 29,876 | |

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Buffalo, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL HOTEL/MOTEL FUND

For the Year Ended September 30, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|--------------------|---------------------|-------------------|---|
| <u>Revenues</u> | | | | |
| Hotel occupancy taxes | \$ 200,000 | \$ 200,000 | \$ 176,993 | \$ (23,007) |
| Investment income | 1,000 | 1,000 | 1,508 | 508 |
| Other revenue | 6,500 | 6,550 | 4,855 | (1,695) |
| Total Revenues | 207,500 | 207,550 | 183,356 | (24,194) |
| <u>Expenditures</u> | | | | |
| General government | 52,000 | 58,000 | 10,217 | 47,783 |
| Culture and recreation | 86,500 | 80,512 | 56,283 | 24,229 |
| Debt service: | | | | |
| Principal | 60,000 | 180,000 | 180,000 | - |
| Interest and fiscal charges | 7,000 | 6,988 | 4,538 | 2,450 |
| Total Expenditures | 205,500 | 325,500 | 251,038 | 74,462 |
| Net Change in Fund Balance | \$ 2,000 | \$ (117,950) | (67,682) | \$ 50,268 |
| Beginning fund balance | | | 205,384 | |
| Ending Fund Balance | | | \$ 137,702 | |

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Buffalo, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

| | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 |
|---|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | |
| Service cost | \$ 65,146 | \$ 65,821 | \$ 56,806 | \$ 51,838 |
| Interest | 103,478 | 100,549 | 95,600 | 88,589 |
| Changes in benefit terms | - | - | - | - |
| Differences between expected and actual experience | (57,815) | (39,848) | (13,252) | 2,360 |
| Changes of assumptions | - | 7,573 | - | - |
| Benefit payments, including refunds of participant contributions | (82,637) | (98,101) | (42,582) | (40,226) |
| Net change in total pension liability | 28,172 | 35,994 | 96,572 | 102,561 |
| Total pension liability - beginning | \$ 1,541,746 | \$ 1,505,752 | \$ 1,409,180 | \$ 1,306,619 |
| Total pension liability - ending (a) | \$ 1,569,918 | \$ 1,541,746 | \$ 1,505,752 | \$ 1,409,180 |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 33,372 | \$ 32,465 | \$ 28,063 | \$ 25,117 |
| Contributions - members | 34,615 | 33,685 | 29,221 | 26,721 |
| Net investment income | 122,861 | 221,240 | (43,756) | 176,484 |
| Benefit payments, including refunds of participant contributions | (82,637) | (98,101) | (42,582) | (40,226) |
| Administrative expenses | (795) | (1,249) | (845) | (914) |
| Other | (31) | (38) | (45) | (46) |
| Net change in plan fiduciary net position | 107,385 | 188,002 | (29,944) | 187,136 |
| Plan fiduciary net position - beginning | 1,618,180 | 1,430,178 | 1,460,122 | 1,272,986 |
| Plan fiduciary net position - ending (b) | \$ 1,725,565 | \$ 1,618,180 | \$ 1,430,178 | \$ 1,460,122 |
| Fund's net pension liability - ending (a) - (b) | \$ (155,647) | \$ (76,434) | \$ 75,574 | \$ (50,942) |
| Plan fiduciary net position as a percentage of the total pension | 109.91% | 104.96% | 94.98% | 103.62% |
| Covered payroll | \$ 692,303 | \$ 673,708 | \$ 584,424 | \$ 534,410 |
| Fund's net position as a percentage of covered payroll | -22.48% | -11.35% | 12.93% | -9.53% |

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

| <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> | ¹ |
|---------------------|---------------------|---------------------|--------------|
| \$ 54,141 | \$ 48,490 | \$ 47,302 | |
| 81,977 | 76,195 | 71,246 | |
| - | - | - | |
| 701 | (1,562) | (13,088) | |
| - | 33,003 | - | |
| (35,207) | (30,755) | (39,944) | |
| <u>101,612</u> | <u>125,371</u> | <u>65,516</u> | |
| <u>\$ 1,205,007</u> | <u>\$ 1,079,636</u> | <u>\$ 1,014,120</u> | |
| <u>\$ 1,306,619</u> | <u>\$ 1,205,007</u> | <u>\$ 1,079,636</u> | |
| \$ 22,686 | \$ 22,734 | \$ 25,281 | |
| 27,936 | 25,602 | 25,325 | |
| 79,684 | 1,713 | 62,274 | |
| (35,207) | (30,755) | (39,944) | |
| (900) | (1,043) | (650) | |
| (48) | (52) | (53) | |
| <u>94,151</u> | <u>18,199</u> | <u>72,233</u> | |
| 1,178,835 | 1,160,636 | 1,088,403 | |
| <u>\$ 1,272,986</u> | <u>\$ 1,178,835</u> | <u>\$ 1,160,636</u> | |
| <u>\$ 33,633</u> | <u>\$ 26,172</u> | <u>\$ (81,000)</u> | |
| 97.43% | 97.83% | 107.50% | |
| \$ 558,730 | \$ 512,034 | \$ 506,505 | |
| 6.02% | 5.11% | -15.99% | |

City of Buffalo, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

| | <u>9/30/2020</u> | <u>9/30/2019</u> | <u>9/30/2018</u> | <u>9/30/2017</u> |
|---|------------------|------------------|------------------|------------------|
| Actuarially determined employer contributions | \$ 35,934 | \$ 31,467 | \$ 24,333 | \$ 25,990 |
| Contributions in relation to | | | | |
| the actuarially determined contribution | \$ 35,934 | \$ 31,467 | \$ 24,333 | \$ 25,990 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Annual covered payroll | \$ 689,510 | \$ 655,566 | \$ 576,929 | \$ 534,329 |
| Employer contributions as | | | | |
| a percentage of covered payroll | 5.21% | 4.80% | 4.22% | 4.86% |

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

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 | 2.5% |
| Salary Increases | 3.50% to 11.50% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018 |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

Other Information:

Notes

There were no benefit changes during the year.

| <u>9/30/2016</u> | <u>9/30/2015</u> ¹ |
|------------------|-------------------------------|
| \$ 22,913 | \$ 23,015 |
| <u>\$ 22,913</u> | <u>\$ 23,015</u> |
| \$ - | \$ - |
| \$ 551,767 | \$ 502,832 |
| 4.15% | 4.58% |



City of Buffalo, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended December 31,

| | 2020 | 2019 | 2018 | 2017 | ¹ |
|--|-----------------------|-----------------------|-----------------------|-----------------------|--------------|
| Total OPEB liability | | | | | |
| Service cost | \$ 4,362 | \$ 3,571 | \$ 2,922 | \$ 2,351 | |
| Interest | 2,031 | 2,142 | 1,897 | 1,863 | |
| Differences between expected and actual experience | (3,324) | (965) | (922) | - | |
| Changes of assumptions | 9,695 | 11,454 | (3,404) | 3,788 | |
| Benefit payments, including refunds of participant contributions | (485) | (472) | (292) | (267) | |
| Net change in total OPEB liability | 12,279 | 15,730 | 201 | 7,735 | |
| Total OPEB liability - beginning | \$ 71,917 | \$ 56,187 | \$ 55,986 | \$ 48,251 | |
| Total OPEB liability - ending | \$ 84,196 | \$ 71,917 | \$ 56,187 | \$ 55,986 | ² |
| Covered payroll | \$ 692,303 | \$ 673,708 | \$ 584,424 | \$ 534,410 | |
| Fund's net position as a percentage of covered payroll | 12.16% | 10.67% | 9.61% | 10.48% | |

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.



OTHER SUPPLEMENTARY INFORMATION

City of Buffalo, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL DEBT SERVICE FUND

For the Year Ended September 30, 2021

| | Original & Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------------|-------------------|---|
| <u>Revenues</u> | | | |
| Property tax | \$ 417,550 | \$ 423,548 | \$ 5,998 |
| Investment income | 2,400 | 2,331 | (69) |
| Total Revenues | 419,950 | 425,879 | 5,929 |
| <u>Expenditures</u> | | | |
| General government | 400 | 400 | - |
| Total Expenditures | 400 | 400 | - |
| Revenues Over (Under) Expenditures | 419,550 | 425,479 | 5,929 |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers (out) | (419,550) | (419,550) | |
| Total Other Financing Sources (Uses) | (419,550) | (419,550) | - |
| Net Change in Fund Balance | \$ - | 5,929 | \$ 5,929 |
| Beginning fund balance | | 224,599 | |
| Ending Fund Balance | | \$ 230,528 | |

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Buffalo, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CAPITAL PROJECTS FUND

For the Year Ended September 30, 2021

| | Original & Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|----------------------------|------------------|---|
| <u>Revenues</u> | | | |
| Other revenue | \$ 200 | \$ 171 | \$ (29) |
| Total Revenues | <u>200</u> | <u>171</u> | <u>(29)</u> |
| <u>Expenditures</u> | | | |
| Capital outlay | 20,600 | 2,438 | 18,162 |
| | <u>20,600</u> | <u>2,438</u> | <u>18,162</u> |
| Revenues Over (Under) Expenditures | <u>(20,400)</u> | <u>(2,267)</u> | <u>18,133</u> |
| Net Change in Fund Balance | <u>\$ (20,400)</u> | <u>(2,267)</u> | <u>\$ 18,133</u> |
| Beginning fund balance | | 21,955 | |
| Ending Fund Balance | | <u>\$ 19,688</u> | |

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles

