

ANNUAL FINANCIAL REPORT

of the

**CITY OF
JACINTO CITY, TEXAS**

**For the Year Ended
September 30, 2020**

(This page intentionally left blank.)

CITY OF JACINTO CITY, TEXAS

TABLE OF CONTENTS

September 30, 2020

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	7
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds	21
Reconciliation of the Government Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Proprietary Fund Financial Statements	
Statement of Net Position	29
Statement of Revenues, Expenses, and Changes in Fund Net Position	31
Statement of Cash Flows	32
Notes to Financial Statements	35
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	63
Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System	64
Schedule of Contributions – Texas Municipal Retirement System	66
Schedule of Changes in Total OPEB Liability and Related Ratios – Texas Municipal Retirement System Supplemental Death Benefit Fund	69
Schedule of Changes in Total OPEB Liability and Related Ratios – Retiree Health Plan	71
<u>SCHEDULE</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	75

(This page intentionally left blank.)



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Jacinto City, Texas:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 auditors' 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of changes in net pension and total other postemployment liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule 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 May 25, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
May 25, 2021

(This page intentionally left blank.)

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

(This page intentionally left blank.)

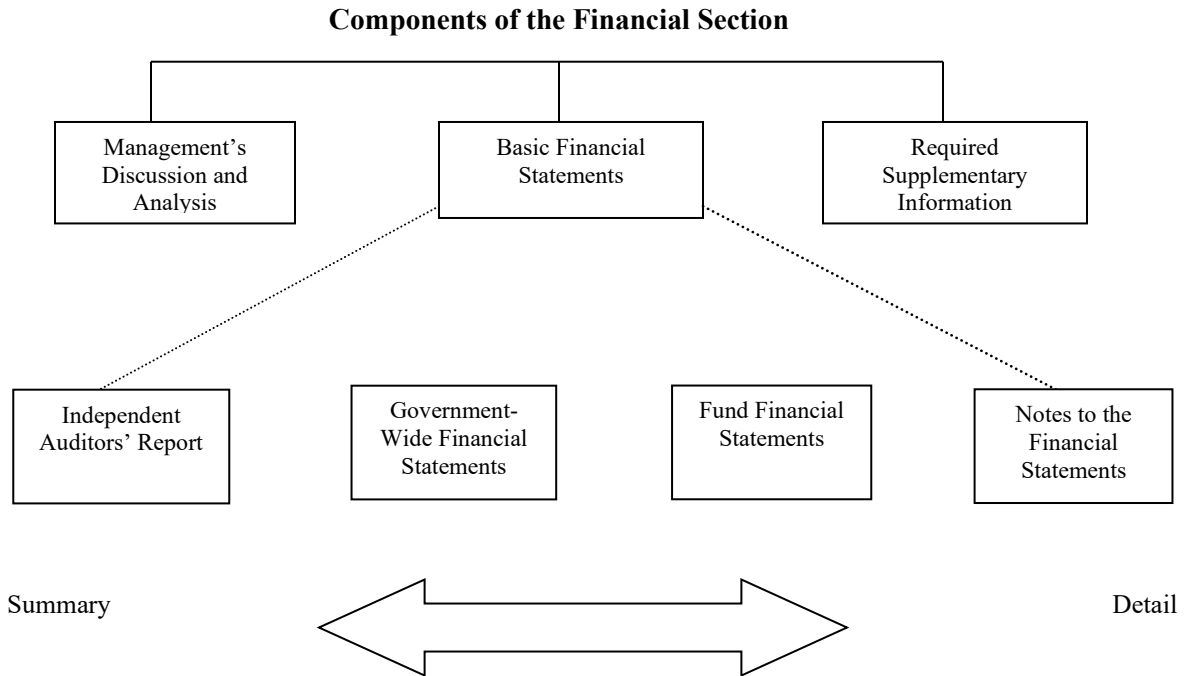
CITY OF JACINTO CITY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2020

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Jacinto City (the "City") for the year ending September 30, 2020. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the 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 statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

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

CITY OF JACINTO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

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 – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here, including public safety (police, fire, EMS), community services (building permits/inspection), public works, and general government (City Administrator, City Secretary, Finance, Human Resources, and Information Technology). Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water and wastewater services.

The government-wide financial statements can be found after the MD&A within this report.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund. The general fund is always considered to be a major fund for reporting purposes. The debt service fund did not meet the technical criteria to be presented as a major fund, however, the City has elected to present it as major due to its significance.

CITY OF JACINTO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

The City adopts annual appropriated budgets for its general fund and debt service fund. Budgetary comparison schedules have been provided for the general fund and the debt service fund to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water distribution and wastewater collection/treatment operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses an internal service fund to account for expenses associated with its health reimbursement account claims. This internal service fund has been included within governmental activities in the government-wide financial statements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to the financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund, schedule of changes in net pension and total other postemployment liability and related ratios for the Texas Municipal Retirement System (TMRS) and the retiree health plan, and a schedule of contributions for TMRS. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$31,546,081 as of year end. This compares with \$31,079,296 from the prior fiscal year. The largest portion of the City's net position, 86 percent reflects its investments in capital assets (e.g., land, City hall, police station, fleet equipment, drainage systems, as well as the public works facilities), less any debt used to acquire those assets that is 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 JACINTO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

Statement of Net Position

The following table provides a condensed Statement of Net Position:

	2020				2019			
	Governmental Activities	Business-Type Activities	Reconciliation	Total	Governmental Activities	Business-Type Activities	Reconciliation	Total
Current and other assets	\$ 6,490,305	\$ 1,104,544	\$ -	\$ 7,594,849	\$ 6,341,490	\$ 1,132,464	\$ -	\$ 7,473,954
Capital assets, net	11,817,922	16,455,028	-	28,272,950	11,296,975	16,659,328	-	27,956,303
Total Assets	18,308,227	17,559,572	-	35,867,799	17,638,465	17,791,792	-	35,430,257
Deferred charge on refunding	7,948	-	-	7,948	11,921	-	-	11,921
Deferred outflows - pensions	198,791	39,834	-	238,625	541,625	128,451	-	670,076
Deferred outflows - OPEB	27,665	-	-	27,665	8,082	-	-	8,082
Total Deferred Outflows of Resources	234,404	39,834	-	274,238	561,628	128,451	-	690,079
Long-term liabilities	2,835,587	350,786	-	3,186,373	3,620,731	469,048	-	4,089,779
Other liabilities	587,778	383,398	-	971,176	531,441	326,688	-	858,129
Total Liabilities	3,423,365	734,184	-	4,157,549	4,152,172	795,736	-	4,947,908
Deferred inflows - pensions	348,403	72,694	-	421,097	13,212	-	-	13,212
Deferred inflows - OPEB	17,310	-	-	17,310	45,709	34,211	-	79,920
Total Deferred Inflows of Resources	365,713	72,694	-	438,407	58,921	34,211	-	93,132
Net investment in capital assets	11,633,642	16,455,028	(917,052)	27,171,618	11,237,449	16,646,139	(1,363,079)	26,520,509
Restricted	1,602,755	-	-	1,602,755	1,577,905	-	-	1,577,905
Unrestricted	1,517,156	337,500	917,052	2,771,708	1,173,646	444,157	1,363,079	2,980,882
Total Net Position	\$ 14,753,553	\$ 16,792,528	-	\$ 31,546,081	\$ 13,989,000	\$ 17,090,296	-	\$ 31,079,296

A portion of the primary government's net position, \$1,602,755 or five percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$2,771,708 or 9 percent, is unrestricted and may be used to meet the City's ongoing obligation to citizens and creditors.

The City has historically issued and repaid debt in its governmental activities for which the proceeds were used to purchase capital assets for the business-type activities. With one activity carrying the capital assets and another carrying the debt, the result is an unusual net position presentation. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Outstanding debt associated with governmental activities in the amount of \$917,052 is being used to finance capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

CITY OF JACINTO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

Statement of Activities

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

	2020			2019		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 1,302,825	\$ 2,216,622	\$ 3,519,447	\$ 1,733,160	\$ 2,227,605	\$ 3,960,765
Operating grants	758,116	-	758,116	278,172	-	278,172
Capital grants	99,055	131,907	230,962	109,341	514,103	623,444
General revenues:						
Ad valorem taxes	3,539,868	-	3,539,868	3,275,334	-	3,275,334
Sales taxes	1,640,881	-	1,640,881	1,673,203	-	1,673,203
Franchise fees and local taxes	638,153	-	638,153	675,199	-	675,199
Investment income	59,783	5,281	65,064	113,382	7,483	120,865
Other revenues	203,470	-	203,470	316,008	-	316,008
Total Revenues	8,242,151	2,353,810	10,595,961	8,173,799	2,749,191	10,922,990
Expenses						
General government	901,847	-	901,847	933,578	-	933,578
Public safety	3,762,430	-	3,762,430	3,532,635	-	3,532,635
Public works	1,636,407	-	1,636,407	1,598,752	-	1,598,752
Community services	859,116	-	859,116	965,243	-	965,243
Interest and fees on debt	26,057	-	26,057	41,776	-	41,776
Public utilities	-	2,943,319	2,943,319	-	2,876,631	2,876,631
Total Expenses	7,185,857	2,943,319	10,129,176	7,071,984	2,876,631	9,948,615
Increase (Decrease) in Net Position Before Transfers	1,056,294	(589,509)	466,785	1,101,815	(127,440)	974,375
Transfers	(291,741)	291,741	-	(581,444)	581,444	-
Change in Net Position	764,553	(297,768)	466,785	520,371	454,004	974,375
Beginning net position	13,989,000	17,090,296	31,079,296	13,468,629	16,636,292	30,104,921
Ending Net Position	\$ 14,753,553	\$ 16,792,528	\$ 31,546,081	\$ 13,989,000	\$ 17,090,296	\$ 31,079,296

The City's net position increased by \$466,785 during the current fiscal year. Total revenues decreased by \$327,029 largely due to decreases in charges for services, capital grants and investment income. Charges for services decreased largely due to a decrease in fines and forfeitures, rental income of municipal buildings and swimming pool income due to COVID-19. Total expenses increased by \$180,561 primarily due to increases in public safety expense. Public safety expense increased due to COVID-19 related expenses and additional personnel.

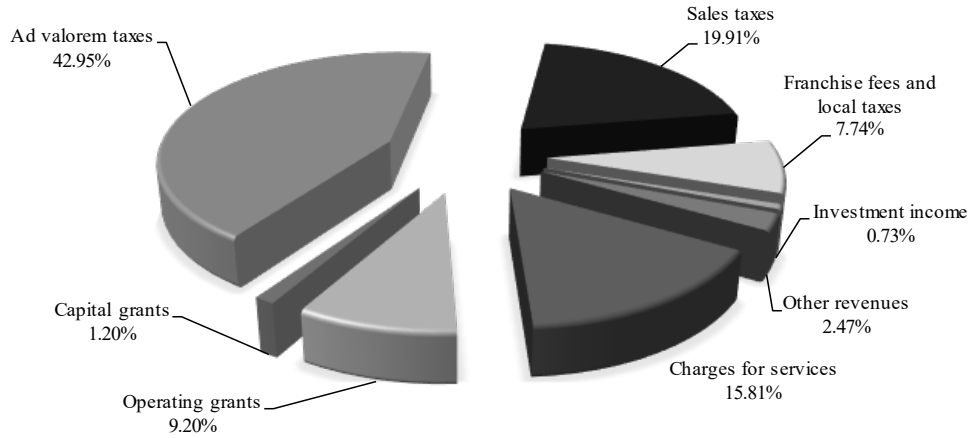
CITY OF JACINTO CITY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

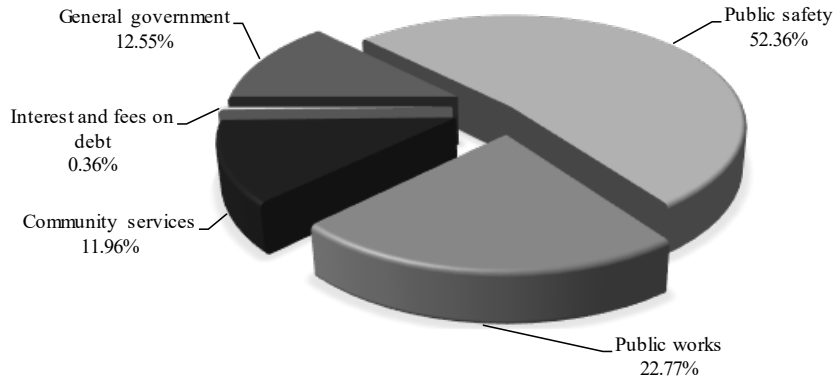
For the Year Ended September 30, 2020

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

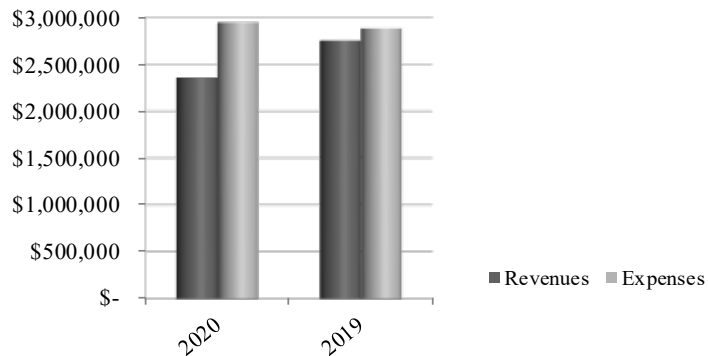
GOVERNMENTAL REVENUES



GOVERNMENTAL EXPENSES



BUSINESS-TYPE ACTIVITIES REVENUES AND EXPENSES



CITY OF JACINTO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

Revenues for governmental activities were very comparable in total to the prior year, increasing by just one percent. Charges for services saw a significant decrease of approximately 25 percent with reduced income in the municipal court due to the COVID-19 pandemic as well as other recreational fees. Licenses and permits also experienced a decline. The reduction in charges for services was offset by a corresponding increase in operating grants as the City was awarded grant funds to cover pandemic related costs. Governmental activity expenses were comparable to the prior year, increasing by just under two percent.

Overall, business-type activity revenues decreased by \$395,381 when compared to the previous year. This decrease in revenue is a result of less grant funds received for capital improvements than the previous year.

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

The City's governmental funds reflect a combined fund balance of \$5,201,412. Of this, \$1,602,755 is restricted for various purposes. There was a net increase in the combined fund balance of \$41,579 from the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,598,657. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 47 percent of the total general fund expenditures, while total fund balance represents 58 percent of that same amount.

The fund balance in the general fund increased by \$43,988 for a total of \$4,446,632 at year end. This increase is largely the result of revenues closely aligning with expenditures and a reduction in the transfers out to the utilities fund in comparison to the prior year.

The fund balance of the debt service fund decreased by \$2,409. This decrease is attributed to an increase in debt service costs. The ending fund balance of the debt service fund was \$754,780 as of year end.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The City had a total net positive budget variance of \$776,648 for the general fund. Total actual revenues were less than budgeted revenues by \$382,040. Actual expenditures were \$1,131,109 less than budgeted expenditures. The greatest positive variance was in public safety.

CITY OF JACINTO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

CAPITAL ASSETS

At the end of the year, the City's governmental activities and business-type activities had invested \$28,272,950 in a variety of capital assets and infrastructure (net of accumulated depreciation). The significant capital asset acquisitions during the current year included the following:

- Construction of the police station (construction in progress): \$367,702
- Waterline rehabilitation: \$287,266

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

LONG-TERM DEBT

At the end of the current year, the City had general obligation debt of \$925,000 and capital leases of \$184,280.

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

COVID

In March 2020, COVID-19 was recognized as a pandemic both worldwide and in the United States with local stay-at-home orders going into effect. The City navigated through this time by alternating the schedules of its employees due to various City functions needing to continue to run through this time. The City followed the directions of the State in relation to Municipal Court. The Court was closed until the City came up with an acceptable plan to monitor social distancing, require masks, and provide hand sanitizers. While the initial event occurred prior to year end, the City was, subsequent to year end, continuing to modify its operations to prevent the spread to customers, staff, and the community as a whole, while balancing the needs of the community. The City has made numerous changes to its operations, including provisions for customer and staff to wear masks, more frequent cleanings, and numerous other changes. While such changes cause a significant hardship and have increased expenses, such increases are nominal in comparison to the overall budget. The City is continuing to monitor exposure levels with customers, staff, and the community as a whole, but to date the overall exposure threat level has been sufficiently low to continue with open doors; however, the City is ready to modify plans if necessary.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's budgeted expenditures for fiscal year 2021 total \$7,764,078 in the general fund and \$483,050 in the debt service fund. The City Council adopted a 2020 tax rate of \$0.774604 per \$100 valuation.

The City continues to face challenges normal for a city environment and is seeking to provide the best services possible to its residents.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the finances of the City. Questions concerning this report or requests for additional financial information should be directed to Lon Squyres, City Manager, City of Jacinto City, 1301 Mercury Street, Jacinto City, Texas, 77029.

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank.)

CITY OF JACINTO CITY, TEXAS

STATEMENT OF NET POSITION

September 30, 2020

	Primary Government			Total
	Governmental Activities	Business-Type Activities	Reconciliation	
<u>Assets</u>				
Current assets:				
Cash - unrestricted	\$ 2,708,791	\$ 530,529	\$ -	\$ 3,239,320
Investments	1,993,858	327,151	-	2,321,009
Receivables, net	1,702,051	266,770	-	1,968,821
Internal balances	19,906	(19,906)	-	-
Prepaid items	10,262	-	-	10,262
Cash - restricted	55,437	-	-	55,437
	6,490,305	1,104,544	-	7,594,849
Capital assets:				
Nondepreciable	4,012,942	295,219	-	4,308,161
Net depreciable capital assets	7,804,980	16,159,809	-	23,964,789
	11,817,922	16,455,028	-	28,272,950
Total Assets	18,308,227	17,559,572	-	35,867,799
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	7,948	-	-	7,948
Deferred outflows - pensions	198,791	39,834	-	238,625
Deferred outflows - OPEB	27,665	-	-	27,665
Total Deferred Outflows of Resources	234,404	39,834	-	274,238
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and accrued liabilities	587,778	144,007	-	731,785
Customer deposits	-	239,391	-	239,391
	587,778	383,398	-	971,176
Noncurrent liabilities:				
Due within one year	601,906	6,268	-	608,174
Due in more than one year	2,233,681	344,518	-	2,578,199
	2,835,587	350,786	-	3,186,373
Total Liabilities	3,423,365	734,184	-	4,157,549
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pensions	348,403	72,694	-	421,097
Deferred inflows - OPEB	17,310	-	-	17,310
Total Deferred Inflows of Resources	365,713	72,694	-	438,407
<u>Net Position</u>				
Net investment in capital assets	11,633,642	16,455,028	(917,052)	27,171,618
Restricted for:				
Child safety	306,817	-	-	306,817
Debt service	754,780	-	-	754,780
Court technology	218,324	-	-	218,324
Municipal court	65,819	-	-	65,819
Police equipment	21,249	-	-	21,249
Governmental programming	235,766	-	-	235,766
Unrestricted	1,517,156	337,500	917,052	2,771,708
Total Net Position	\$ 14,753,553	\$ 16,792,528	\$ -	\$ 31,546,081

See Notes to Financial Statements.

CITY OF JACINTO CITY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 901,847	\$ -	\$ -	\$ -
Public safety	3,762,430	810,910	-	99,055
Public works	1,636,407	491,915	-	-
Community services	859,116	-	758,116	-
Interest and fees on debt	26,057	-	-	-
Total Governmental Activities	7,185,857	1,302,825	758,116	99,055
Business-Type Activities				
Public utilities	2,943,319	2,216,622	-	131,907
Total Business-Type Activities	2,943,319	2,216,622	-	131,907
Total Primary Government	\$ 10,129,176	\$ 3,519,447	\$ 758,116	\$ 230,962

General Revenues:

- Taxes
 - Ad valorem taxes
 - Sales taxes
 - Franchise fees and local taxes
- Investment income
- Other revenues
- Transfers

Total General Revenues
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		
Governmental Activities	Business-Type Activities	Total
\$ (901,847)	\$ -	\$ (901,847)
(2,852,465)	-	(2,852,465)
(1,144,492)	-	(1,144,492)
(101,000)	-	(101,000)
(26,057)	-	(26,057)
<u>(5,025,861)</u>	<u>-</u>	<u>(5,025,861)</u>
-	(594,790)	(594,790)
-	(594,790)	(594,790)
<u>(5,025,861)</u>	<u>(594,790)</u>	<u>(5,620,651)</u>
3,539,868	-	3,539,868
1,640,881	-	1,640,881
638,153	-	638,153
59,783	5,281	65,064
203,470	-	203,470
(291,741)	291,741	-
<u>5,790,414</u>	<u>297,022</u>	<u>6,087,436</u>
764,553	(297,768)	466,785
13,989,000	17,090,296	31,079,296
<u>\$ 14,753,553</u>	<u>\$ 16,792,528</u>	<u>\$ 31,546,081</u>

(This page intentionally left blank.)

CITY OF JACINTO CITY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2020

	General	Debt Service	Total Governmental Funds
<u>Assets</u>			
Cash - unrestricted	\$ 1,949,664	\$ 754,060	\$ 2,703,724
Investments	1,993,858	-	1,993,858
Receivables, net	1,632,880	69,171	1,702,051
Prepaid items	10,262	-	10,262
Due from other funds	19,906	-	19,906
Cash - restricted	55,437	-	55,437
Total Assets	\$ 5,662,007	\$ 823,231	\$ 6,485,238
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 576,316	-	\$ 576,316
Total Liabilities	576,316	-	576,316
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - EMS services	255,183	-	255,183
Unavailable revenue - property taxes	383,876	68,451	452,327
Total Deferred Inflows of Resources	639,059	68,451	707,510
<u>Fund Balances</u>			
Restricted			
Child safety	306,817	-	306,817
Debt service	-	754,780	754,780
Court technology	218,324	-	218,324
Municipal court	65,819	-	65,819
Police equipment	21,249	-	21,249
Governmental programming	235,766	-	235,766
Unassigned	3,598,657	-	3,598,657
Total Fund Balances	4,446,632	754,780	5,201,412
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,662,007	\$ 823,231	\$ 6,485,238

See Notes to Financial Statements.

(This page intentionally left blank.)

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

Total fund balances for the governmental funds		\$ 5,201,412
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 - nondepreciable		4,012,942
Capital assets - net depreciable		7,804,980
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
		707,510
Long-term liabilities and deferred outflows/inflows are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Accrued interest payable		(11,462)
Deferred charge on refunding		7,948
Deferred outflows - pensions		198,791
Deferred outflows - OPEB		27,665
Deferred inflows - pensions		(348,403)
Deferred inflows - OPEB		(17,310)
Noncurrent liabilities due within one year		(601,906)
Noncurrent liabilities due in more than one year		(2,233,681)
The internal service fund is used by management to charge the costs of certain activities such as employee health benefits. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		
		5,067
Net Position of Governmental Activities	\$	14,753,553

(This page intentionally left blank.)

CITY OF JACINTO CITY, TEXAS

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

For the Year Ended September 30, 2020

	General	Debt Service	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 3,025,701	\$ 471,580	\$ 3,497,281
Sales taxes	1,640,881	-	1,640,881
Franchise fees and local taxes	638,153	-	638,153
Licenses and permits	85,094	-	85,094
Fines and forfeitures	594,122	-	594,122
Charges for services	622,165	-	622,165
Intergovernmental	857,171	-	857,171
Investment income	52,298	7,485	59,783
Other revenue	193,394	10,076	203,470
Total Revenues	7,708,979	489,141	8,198,120
Expenditures			
Current:			
General government	727,183	-	727,183
Public safety	3,521,528	-	3,521,528
Public works	1,545,660	-	1,545,660
Community services	816,133	-	816,133
Capital outlay	1,028,483	-	1,028,483
Debt service:			
Principal	49,844	450,000	499,844
Interest and fiscal charges	3,739	41,550	45,289
Total Expenditures	7,692,570	491,550	8,184,120
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,409	(2,409)	14,000
Other Financing Sources (Uses)			
Transfers (out)	(147,019)	-	(147,019)
Capital lease	174,598	-	174,598
Total Other Financing Sources	27,579	-	27,579
Net Change in Fund Balances	43,988	(2,409)	41,579
Beginning fund balances	4,402,644	757,189	5,159,833
Ending Fund Balances	\$ 4,446,632	\$ 754,780	\$ 5,201,412

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF JACINTO CITY, 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, 2020

Net changes in fund balances - total governmental funds \$ 41,579

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

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

Capital outlay	967,780
Depreciation expense	(446,833)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred property tax revenue	42,587
Deferred emergency medical services revenue	1,444

The issuance of long-term debt (e.g., bonds and 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 debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Position. Pension/OPEB expense and the amortization of deferred items are recognized at the government-wide level.

Principal expenditures	450,000
Amortization of loss on refunding	(3,973)
Amortization of premium	17,628
Capital lease proceeds	(174,598)
Capital lease payments	49,844
Net pension liability	740,653
Deferred outflows - pensions	(617,152)
Deferred inflows - pensions	(28,375)
Total OPEB liability	(296,707)
Deferred outflows - OPEB	19,583
Deferred inflows - OPEB	(4,098)

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	(1,677)
Accrued interest payable	5,577

The internal service fund is used by management to charge the costs of certain activities, such as employee health benefits, to individual funds.

The net revenue of the internal service fund is reported with governmental activities.	1,291
--	-------

Change in Net Position of Governmental Activities	\$ 764,553
--	-------------------

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF JACINTO CITY, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2020

	Enterprise	Governmental Activities Internal Service
<u>Assets</u>		
Current assets:		
Cash, unrestricted	\$ 530,529	\$ 5,067
Investments	327,151	-
Receivables, net	266,770	-
Total Current Assets	1,124,450	5,067
Noncurrent assets		
Capital assets:		
Nondepreciable	295,219	-
Net depreciable capital assets	16,159,809	-
Total Noncurrent Assets	16,455,028	-
Total Assets	17,579,478	5,067
 <u>Deferred Outflows of Resources</u>		
Deferred outflows - pensions	39,834	-
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	144,007	-
Customer deposits	239,391	-
Due to other funds	19,906	-
Total Current Liabilities	403,304	-
Noncurrent liabilities:		
Due within one year	6,268	-
Due in more than one year	344,518	-
Total Noncurrent Liabilities	350,786	-
Total Liabilities	754,090	-
 <u>Deferred Inflows of Resources</u>		
Deferred inflows - pensions	72,694	-
Total Deferred Inflows of Resources	72,694	-
 <u>Net Position</u>		
Net investment in capital assets	16,455,028	-
Unrestricted	337,500	5,067
Total Net Position	\$ 16,792,528	\$ 5,067

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF JACINTO CITY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

For the Year Ended September 30, 2020

	Enterprise	Governmental Activities Internal Service
<u>Operating Revenues</u>		
Water charges	\$ 1,456,661	\$ -
Sewer charges	689,205	-
Service charges	-	30,000
Other services	70,756	-
Total Operating Revenues	2,216,622	30,000
<u>Operating Expenses</u>		
Costs of sales and services	1,637,276	28,709
Administration	812,539	-
Depreciation	491,566	-
Total Operating Expenses	2,941,381	28,709
Operating Income (Loss)	(724,759)	1,291
<u>Nonoperating Revenues (Expenses)</u>		
Investment income	5,281	-
Interest expense	(1,938)	-
Intergovernmental revenue	131,907	-
Total Nonoperating Revenues	135,250	-
Income (Loss) Before Transfers	(589,509)	1,291
Capital contributions	144,722	-
Transfers (net)	147,019	-
Change in Net Position	(297,768)	1,291
Beginning net position	17,090,296	3,776
Ending Net Position	\$ 16,792,528	\$ 5,067

See Notes to Financial Statements.

CITY OF JACINTO CITY, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 1 of 2) For the Year Ended September 30, 2020

	Enterprise	Governmental Activities Internal Service
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 2,208,733	\$ -
Receipts from interfund charges for services	-	30,000
Payments to suppliers	(1,592,564)	(28,709)
Payments to employees	(790,512)	-
Net Cash Provided (Used) by Operating Activities	(174,343)	1,291
<u>Cash Flows from Noncapital Financing Activities</u>		
Intergovernmental revenue	131,907	-
Net transfer from and to other funds	147,019	-
Net Cash Provided by Noncapital Financing Activities	278,926	-
<u>Cash Flows from Capital and Related Financing Activities</u>		
Capital purchases	(142,544)	-
Principal paid on capital lease	(13,189)	-
Interest paid on capital debt	(1,938)	-
Net Cash (Used) by Capital and Related Financing Activities	(157,671)	-
<u>Cash Flows from Investing Activities</u>		
Purchase of investments	(5,838)	-
Interest on investments	5,281	-
Net Cash (Used) by Investing Activities	(557)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(53,645)	1,291
Beginning cash and cash equivalents	584,174	3,776
Ending Cash and Cash Equivalents	\$ 530,529	\$ 5,067

CITY OF JACINTO CITY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 2 of 2)

For the Year Ended September 30, 2020

	Enterprise	Governmental Activities Internal Service
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (loss)	\$ (724,759)	\$ 1,291
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	491,566	-
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Current Assets:		
Accounts receivable	(19,887)	-
Deferred outflows - pensions	88,617	-
Increase (Decrease) in Current Liabilities:		
Accounts payable and accrued liabilities	44,712	-
Customer deposits	11,998	-
Compensated absences	202	-
Net pension liability	(147,954)	-
Total OPEB liability	42,679	-
Deferred inflows - pensions	38,483	-
Net Cash Provided (Used) by Operating Activities	\$ (174,343)	\$ 1,291
 Noncash investing, capital, and financing activities:		
Contributions of capital assets	\$ 144,722	\$ -

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF JACINTO CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Jacinto City, Texas (the “City”) was incorporated under the laws of the State of Texas (the “State”) in 1946. The City has operated under a “Home Rule Charter”, which provides for a “Council-Manager” form of government, since January 17, 1981.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the City Council for the administration of all the affairs of the City. The City Manager is responsible for appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety including police, fire, and emergency medical services; parks; streets; sanitation; water and sewer services; recreation; public improvements; and general administration.

The City is an independent political subdivision of the State governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to 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.

B. 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 activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and an internal

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

service fund, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental and proprietary funds.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following governmental funds:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund. The principal sources of revenues include local property taxes, sales taxes, franchise fees, fines and forfeitures, as well as licenses and permits. Expenditures include general government, public safety, public works, and community services. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The primary source of revenue for debt service is local property taxes. The debt service fund did not meet the technical criteria to be presented as a major fund, however, the City has elected to present it as major due to its significance.

The City reports the following enterprise fund:

The *enterprise fund* is used to account for and report the operations that provide water and sewer services. These services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The enterprise fund is considered a major fund for reporting purposes.

Additionally, the City reports the following fund type:

The *internal service fund* accounts for services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. This fund includes activity related to an employee health benefits account. The City provides full-time employees with a health reimbursement account for select medical benefit expenses each year.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds 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

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

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 fund) 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 internal balances in the business-type activities column.

E. 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 and proprietary fund 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences 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 fees, 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 City.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund type considers temporary investments with maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government 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 and commercial paper

3. 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).

Certain payments to vendors reflecting costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. 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. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 the 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.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

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

<u>Asset Description</u>	<u>Useful Life</u>
Vehicles	10 to 15 years
Equipment	5 to 25 years
Infrastructure	10 to 60 years
Improvements other than buildings	10 to 25 years
Buildings	10 to 50 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City’s fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- 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.

At the fund level, the City 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. The governmental funds report unavailable revenues from property taxes and emergency medical services revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Compensated Employee Absences

Employees earn vacation time based on years of service with the City, up to a maximum of 25 days per year. Employees must take vacation time during the year it is earned.

Sick leave accrues on the basis of one day per month of employment. Employees are granted sick pay only for actual sick time. Effective January 1, 1992, employees are no longer paid for unused sick time upon termination. However, employees who have unused sick time that accumulated prior

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

to January 1, 1992 may be paid for any of this unused sick time when their employment with the City terminates. The estimated amount that will be paid as compensation for services provided is recorded as a liability in the Statement of Net Position. All eligible time is accrued when incurred in the government-wide and proprietary fund financial statements.

7. Long-Term Obligations

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

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

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of a capital lease 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 applicable 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.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

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

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

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

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City 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.

11. 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, 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.

12. Pensions

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

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

13. Other Postemployment Benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

The City also provides medical benefits to eligible retirees through a single-employer defined benefit plan. This plan is an unfunded, pay-as-you-go plan. Information about the City's OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by the City's consulting actuary.

G. 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 during September of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid. The penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action. The interest continues to accumulate on the account at one percent per month, but the penalty remains at a maximum of 12 percent until paid.

A penalty of six percent and interest of one percent are added to delinquent taxes on February 1. The penalty amount increases to a maximum of 12 percent on July 1 of each year, with interest continuing to increase at one percent per month until the account is paid. An additional penalty of 20 percent is added in July for attorney costs. There are no discounts allowed on taxes.

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 enterprise fund and internal service fund are charges to customers for sales and services. The enterprise 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 the enterprise

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

fund and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the City Council prior to the beginning of the fiscal year. The legal level of control as defined by the charter is the department in the approved budget. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year. Supplemental budget appropriations were made during the year.

A. Expenditures in Excess of Appropriations

For the year ended September 30, 2020, expenditures exceeded appropriations at the legal level of control as follows:

General fund:	
Transfers (out)	<u>\$ 147,019</u>

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and temporary investments include petty cash on hand in various departments, certificates of deposit, and demand deposit accounts. As of year end, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 2,321,009	0.03

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 180 days or less.

Credit risk. State law and the City’s investment policy limit investments to obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent.

Concentration of credit risk. With the exception of U.S. Treasury securities and authorized pools, the City’s investment policy does not allow for an investment in any one issuer that is in excess of 50 percent of the portfolio’s total investments.

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. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 102 percent. As of September 30, 2020, market values of pledged securities and FDIC insurance exceeded bank balances.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

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 at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Total</u>
Accounts	\$ 850,609	\$ -	\$ 543,351	\$ 1,393,960
Ad valorem	388,809	70,866	-	459,675
Sales taxes	272,262	-	-	272,262
Other	729,877	720	45,002	775,599
Less allowance	(608,677)	(2,415)	(321,583)	(932,675)
Totals	<u>\$ 1,632,880</u>	<u>\$ 69,171</u>	<u>\$ 266,770</u>	<u>\$ 1,968,821</u>

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

C. Capital Assets

A summary of changes in capital assets for the year end is as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases/ Reclassifications	
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 37,084	\$ -	\$ -	\$ 37,084
Construction in progress	3,608,156	367,702	-	3,975,858
Total capital assets, not being depreciated	<u>3,645,240</u>	<u>367,702</u>	<u>-</u>	<u>4,012,942</u>
Capital assets, being depreciated:				
Buildings	9,253,884	-	-	9,253,884
Improvements other than buildings	641,701	-	-	641,701
Infrastructure	2,822,024	-	-	2,822,024
Equipment	1,439,962	215,976	-	1,655,938
Vehicles	2,466,223	384,102	-	2,850,325
Total capital assets being depreciated	<u>16,623,794</u>	<u>600,078</u>	<u>-</u>	<u>17,223,872</u>
Less accumulated depreciation for:				
Buildings	(3,414,042)	(226,129)	-	(3,640,171)
Improvements other than buildings	(479,366)	(25,431)	-	(504,797)
Infrastructure	(2,004,792)	(20,329)	-	(2,025,121)
Equipment	(1,172,606)	(52,774)	-	(1,225,380)
Vehicles	(1,901,253)	(122,170)	-	(2,023,423)
Total accumulated depreciation	<u>(8,972,059)</u>	<u>(446,833)</u>	<u>-</u>	<u>(9,418,892)</u>
Total capital assets, being depreciated, net	<u>7,651,735</u>	<u>153,245</u>	<u>-</u>	<u>7,804,980</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,296,975</u>	<u>\$ 520,947</u>	<u>\$ -</u>	<u>11,817,922</u>
			Less associated debt	<u>(184,280)</u>
			Net Investment in Capital Assets	<u>\$ 11,633,642</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 127,175
Public safety	164,829
Public works	86,370
Community services	68,459
Total Governmental Activities Depreciation Expense	<u>\$ 446,833</u>

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

The following is a summary of changes in capital assets for business-type activities for the year end:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 7,953	\$ -	\$ -	\$ 7,953
Construction in progress	-	287,266	-	287,266
Total capital assets, not being depreciated	<u>7,953</u>	<u>287,266</u>	<u>-</u>	<u>295,219</u>
Capital assets, being depreciated:				
Infrastructure	23,701,154	-	-	23,701,154
Equipment	195,313	-	-	195,313
Vehicles	279,105	-	-	279,105
Total capital assets being depreciated	<u>24,175,572</u>	<u>-</u>	<u>-</u>	<u>24,175,572</u>
Less accumulated depreciation for:				
Infrastructure	(7,143,013)	(479,103)	-	(7,622,116)
Equipment	(150,468)	(2,638)	-	(153,106)
Vehicles	(230,716)	(9,825)	-	(240,541)
Total accumulated depreciation	<u>(7,524,197)</u>	<u>(491,566)</u>	<u>-</u>	<u>(8,015,763)</u>
Total capital assets, being depreciated, net	<u>16,651,375</u>	<u>(491,566)</u>	<u>-</u>	<u>16,159,809</u>
Business-Type Activities Capital Assets, Net	<u>\$ 16,659,328</u>	<u>\$ (204,300)</u>	<u>\$ -</u>	<u>\$ 16,455,028</u>

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	Beginning			Ending	Due Within
Governmental Activities:	Balance	Additions	Reductions	Balance	One Year
General obligation bonds	\$ 1,375,000	\$ -	\$ 450,000	\$ 925,000	\$ 455,000
Capital leases	59,526	174,598	49,844	184,280 *	95,315
Compensated absences	55,647	1,676	-	57,323	51,591
Net pension liability	1,102,075	-	740,653	361,422	-
Total OPEB liability					
SDBF	143,082	27,832	-	170,914	-
Health	832,515	268,875	-	1,101,390	-
Premium on debt	52,886	-	17,628	35,258	-
Total Governmental Activities	\$ 3,620,731	\$ 472,981	\$ 1,258,125	\$ 2,835,587	\$ 601,906
				\$ 2,233,681	
				\$ 184,280	
Business-Type Activities:	Beginning	Additions	Reductions	Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Capital leases	\$ 13,189	\$ -	\$ 13,189	\$ -	\$ -
Compensated absences	6,762	202	-	6,964	6,268
Net pension liability	308,985	-	147,954	161,031	-
Total OPEB liability-health	140,112	42,679	-	182,791	-
Total Business-Type Activities	\$ 469,048	\$ 42,881	\$ 161,143	\$ 350,786	\$ 6,268
				\$ 344,518	

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.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

General obligation debt and capital leases at year end were comprised of the following debt issues:

Description	Interst Rates	Balance
Governmental Activities		
General obligation debt:		
Refunding, Series 2013	2.00-3.00%	\$ 925,000
Capital leases	6.00-6.50%	184,280
Total Governmental Activities		\$ 1,109,280

The annual requirements to amortize general obligation debt outstanding at year end were as follows:

Fiscal Year Ending Sept. 30	General Obligation Debt	
	Principal	Interest
2021	\$ 455,000	\$ 27,750
2022	470,000	14,100
Total	\$ 925,000	\$ 41,850

The City is not obligated in any manner for special assessment debt.

Future minimum payments to retire capital lease obligations for governmental activities are as follows:

Fiscal Year Ending Sept. 30	Governmental Activities	
	Principal	Interest
2021	\$ 95,315	\$ 7,373
2022	88,965	3,461
Total	\$ 184,280	\$ 10,834

The assets acquired through capital leases are as follows:

Asset	Amount
Vehicles	\$ 321,608
Less: accumulated depreciation	(58,655)
Total	\$ 262,953

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, they could result in a substantial liability to the City. Although the City does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

E. Interfund Transactions

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

Receivable Fund	Payable Fund	Amounts
General fund	Enterprise fund	\$ 19,906
		\$ 19,906

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

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

Transfer In	Transfer Out	Amounts
Enterprise fund	General fund	\$ 147,019
		\$ 147,019

The general fund made transfers to the enterprise fund to provide financing for miscellaneous capital projects.

IV. 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 2,617 other entities in the Texas Municipal League’s Intergovernmental Risk Pool (the “Pool”). The Pool purchases commercial insurance at a group rate 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 fiscal 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 amount of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, it is the opinion of the City’s management that resolution of this matter will not have a material adverse effect on the financial condition of the City.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

Liabilities are reported 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. No claim liabilities are reported at year end.

In March 2020, COVID-19 was recognized as a pandemic both worldwide and in the United States with local stay at-home orders going into effect. The City navigated through this time by alternating the schedules of its employees due to various City functions needing to continue to run through this time. The City followed the directions of the State in relation to Municipal Court. The Court was closed until the City came up with an acceptable plan to monitor social distancing, require masks, and provide hand sanitizers. While the initial event occurred prior to year end, the City was, subsequent to year end, continuing to modify its operations to prevent the spread to customers, staff, and the community as a whole, while balancing the needs of the community. The City has made numerous changes to its operations, including provisions for customers and staff to wear masks, more frequent cleanings, and numerous other changes. While such changes cause a significant hardship and have increased expenses, such increase are nominal in comparison to the overall budget. The City is continuing to monitor exposure levels with customers, staff and community as a whole, but to date the overall exposure threat level has been sufficiently low to continue with open doors; however the City is ready to modify plans if necessary.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by TMRS. TMRS is an agency created by the State 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. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the “Board”). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.com.

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

Benefits Provided

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

At retirement, the 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 payment 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.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

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>2020</u>	<u>2019</u>
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to, but not yet receiving, benefits	37
Active employees	<u>72</u>
Total	<u><u>139</u></u>

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.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.78% and 7.97% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2020 were \$264,631, which were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

Actuarial Assumptions

The TPL in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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

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

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	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	100.00%	

Discount Rate

The discount rate used to measure the TPL 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 TPL.

Changes in the NPL

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(A)</u>	<u>(B)</u>	<u>(A) - (B)</u>
Changes for the year:			
Service cost	\$ 270,218	\$ -	\$ 270,218
Interest	651,217	-	651,217
Changes in current period benefits	-	-	-
Difference between expected and actual experience	(153,950)	-	(153,950)
Changes in assumptions	(21,496)	-	(21,496)
Contributions - employer	-	219,446	(219,446)
Contributions - employee	-	141,033	(141,033)
Net investment income	-	1,281,573	(1,281,573)
Benefit payments, including refunds of employee contributions	(369,912)	(369,912)	-
Administrative expense	-	(7,239)	7,239
Other changes	-	(217)	217
Net Changes	376,077	1,264,684	(888,607)
Balance at December 31, 2018	9,697,509	8,286,449	1,411,060
Balance at December 31, 2019	\$ 10,073,586	\$ 9,551,133	\$ 522,453

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

Sensitivity of the NPL to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability/(Asset)	\$ 1,831,973	\$ 522,453	\$ (555,858)

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.tmrs.com.

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

For the fiscal year ended September 30, 2020, the City recognized pension expense of \$148,650.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 35,806	\$ 113,963
Changes in actuarial assumptions	-	15,913
Difference between projected and actual investment earnings	-	291,221
Contributions subsequent to the measurement date	202,819	-
Total	\$ 238,625	\$ 421,097

\$202,819 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2021	\$ (99,914)
2022	(123,971)
2023	(16,961)
2024	(144,445)
Total	\$ (385,291)

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

D. Other Postemployment Benefits

1. TMRS Supplemental Death Benefits Fund

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the 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. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2019 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to, but not yet receiving, benefits	8
Active employees	<u>72</u>
Total	<u><u>95</u></u>

Total OPEB Liability

The City's total OPEB liability of \$170,914 was measured as of December 31, 2019 and was determined by an actuarial valuation of that date.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

Actuarial Assumptions and Other Inputs

The OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.75%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the Pension Trust Fund and accounted for under reporting requirements under GASB 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 6,487
Interest	5,403
Difference between expected and actual experience	(8,391)
Changes of assumptions	25,743
Benefit payments*	(1,410)
	Net Changes
	27,832
Beginning	143,082
	Ending
	\$ 170,914

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

The discount rate was decreased from 3.71% to 2.75%. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

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

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

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's Total OPEB Liability	\$ 203,743	\$ 170,914	\$ 145,217

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$14,016. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	26,393	6,036
Difference between expected and actual experience	-	11,274
Contributions subsequent to the measurement date	1,272	-
Total	\$ 27,665	\$ 17,310

\$1,272 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2021.

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

Fiscal Year Ended September 30	OPEB Expense
2021	\$ 2,126
2022	2,126
2023	1,491
2024	1,133
2025	2,207
Total	\$ 9,083

2. Postemployment Healthcare Plan

Plan Description

The City administers a single-employer defined benefit OPEB plan, known as the Postemployment Health Plan (the "Plan"). Employees are eligible for retiree health benefits if they retire with at least 20 years of service from the City. Employees may continue coverage on the City's Plan in existence

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

at the time of retirement. The City pays the entire premium for the retiree's health insurance coverage. Dependent coverage is not offered. The Plan offers Medigap insurance coverage to eligible retirees after retirees have attained the age of 65 years and are eligible for Medicare instead of the full coverage provided prior to becoming eligible for Medicare.

Benefits

Participation in the Plan as of September 30, 2020 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to, but not yet receiving, benefits	-
Active employees	52
Total	<u><u>55</u></u>

Funding Policy

Funding is provided on a pay-as-you-go basis.

Total OPEB Liability

The City's total OPEB liability of \$1,284,181 was measured as of September 30, 2020 and was determined by an actuarial valuation as of September 30, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Discount rate	2.21%
Health care trend rate	7.10/5.00%
Actuarial cost method	Entry Age Normal
Starting per capita costs	Annual premium rates provided by the City. Rates adjusted for "implicit" cost of covering retirees as dictated by the Alternative Measurement Method in GASB 74/75.
Mortality Rates	Based on Rates from TMRS Experience Study Report dated October 15, 2019
Retiree contributions	The City pays the entire premium for the retiree's health insurance coverage. Dependent coverage is not offered. Once retirees are Medicare eligible, they have the option to find a supplemental policy or the City will find a policy for them, with the full cost going to the City. Coverage continues until the death of the retiree.
Termination Rates	Based on Rates from TMRS Experience Study Report dated October 15, 2019
Participation rates (coverage)	Employee may continue coverage into retirement on the City Plan. They must have 20 years of service. There are no age requirements.

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of September 30, 2020.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 8,649
Interest	25,666
Difference between expected and actual experience	75,076
Changes of assumptions	218,918
Benefit payments	(16,755)
Net Changes	311,554
Beginning	972,627
Ending	\$ 1,284,181

The discount rate decreased from 2.66% to 2.21%. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using the assumed discount rate that is one percentage point lower or one percentage point higher than the current assumed discount rate:

	1% Decrease in Discount Rate (1.21%)	Discount Rate (2.21%)	1% Increase in Discount Rate (3.21%)
City's Total OPEB Liability	\$ 1,553,188	\$ 1,284,181	\$ 1,076,158

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using an assumed trend rate that is one percentage point lower or one percentage point higher than the current trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
City's Total OPEB Liability	\$ 1,070,522	\$ 1,284,181	\$ 1,557,410

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$328,309.

The City reported no deferred outflows/inflows of resources related to the OPEB plan.

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

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

For the Year Ended September 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
Revenues				
Ad valorem taxes	\$ 3,245,323	\$ 3,245,323	\$ 3,025,701	\$ (219,622)
Sales taxes	1,650,000	1,650,000	1,640,881	(9,119)
Franchise fees and local taxes	780,430	780,430	638,153	(142,277)
Licenses and permits	110,800	110,800	85,094	(25,706)
Fines and forfeitures	944,500	944,500	594,122	(350,378)
Charges for services	763,075	763,075	622,165	(140,910)
Intergovernmental	226,221	226,221	857,171	630,950
Investment income	70,000	70,000	52,298	(17,702)
Other revenue	300,670	300,670	193,394	(107,276)
Total Revenues	<u>8,091,019</u>	<u>8,091,019</u>	<u>7,708,979</u>	<u>(382,040)</u>
Expenditures				
Current:				
General government	946,537	972,643	727,183	245,460
Public safety	3,753,064	3,892,226	3,521,528	370,698
Public works	1,732,717	1,750,847	1,545,660	205,187
Community services	1,038,295	1,061,254	816,133	245,121
Capital outlay	873,630	1,087,125	1,028,483	58,642
Debt service:				
Principal	59,584	55,845	49,844	6,001
Interest and fiscal charges	-	3,739	3,739	-
Total Expenditures	<u>8,403,827</u>	<u>8,823,679</u>	<u>7,692,570</u>	<u>1,131,109</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(312,808)</u>	<u>(732,660)</u>	<u>16,409</u>	<u>749,069</u>
Other Financing Sources (Uses)				
Transfers (out)	-	-	(147,019)	(147,019) *
Capital lease	-	-	174,598	174,598
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>27,579</u>	<u>27,579</u>
Net Change in Fund Balance	<u>\$ (312,808)</u>	<u>\$ (732,660)</u>	<u>43,988</u>	<u>\$ 776,648</u>
Beginning fund balance			<u>4,402,644</u>	
Ending Fund Balance			<u>\$ 4,446,632</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Expenditures exceeded appropriations at the legal level of control.

CITY OF JACINTO CITY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2020

	Measurement Year*			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 205,392	\$ 212,876	\$ 241,136	\$ 258,007
Interest (on the total pension liability)	537,078	554,470	563,811	571,985
Changes in current period benefits	-	-	-	-
Difference between expected and actual experience	(204,420)	(63,980)	(337,728)	100,750
Change of assumptions	-	59,781	-	-
Benefit payments, including refunds of employee contributions	(282,342)	(304,362)	(386,627)	(322,524)
Net Change in Total Pension Liability	255,708	458,785	80,592	608,218
Beginning total pension liability	7,711,020	7,966,728	8,425,513	8,506,105
Ending Total Pension Liability	<u>\$ 7,966,728</u>	<u>\$ 8,425,513</u>	<u>\$ 8,506,105</u>	<u>\$ 9,114,323</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 207,554	\$ 218,685	\$ 220,726	\$ 237,581
Contributions - employee	110,231	116,199	125,985	134,378
Net investment income	376,431	10,311	474,618	1,032,843
Benefit payments, including refunds of employee contributions	(282,342)	(304,362)	(386,627)	(322,524)
Administrative expense	(3,930)	(6,280)	(5,359)	(5,352)
Other	(323)	(310)	(289)	(271)
Net Change in Plan Fiduciary Net Position	407,621	34,243	429,054	1,076,655
Beginning plan fiduciary net position	6,579,859	6,987,480	7,021,722	7,450,776
Ending Plan Fiduciary Net Position	<u>\$ 6,987,480</u>	<u>\$ 7,021,723</u>	<u>\$ 7,450,776</u>	<u>\$ 8,527,431</u>
Net Pension Liability	<u>\$ 979,248</u>	<u>\$ 1,403,790</u>	<u>\$ 1,055,329</u>	<u>\$ 586,892</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.71%	83.34%	87.59%	93.56%
Covered Payroll	\$ 2,204,612	\$ 2,323,974	\$ 2,519,703	\$ 2,687,570
Net Pension Liability as a Percentage of Covered Payroll	44.42%	60.40%	41.88%	21.84%

*Only six years of information are currently available. The City will build this schedule over the next four-year period.

Measurement Year*

	2018		2019
\$	260,140	\$	270,218
	613,202		651,217
	-		-
	29,683		(153,950)
	-		(21,496)
	(319,839)		(369,912)
	583,186		376,077
	9,114,323		9,697,509
\$	9,697,509	\$	10,073,586

\$	204,492	\$	219,446
	135,068		141,033
	(255,509)		1,281,573
	(319,839)		(369,912)
	(4,937)		(7,239)
	(256)		(217)
	(240,982)		1,264,684
	8,527,431		8,286,449
\$	8,286,449	\$	9,551,133

\$	1,411,060	\$	522,453
----	-----------	----	---------

	85.45%		94.81%
--	--------	--	--------

\$	2,701,354	\$	2,820,650
----	-----------	----	-----------

	52.24%		18.52%
--	--------	--	--------

CITY OF JACINTO CITY, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2019

	Fiscal Year*			
	2014	2015	2016	2017
Actuarially determined contribution	\$ 206,531	\$ 211,732	\$ 230,156	\$ 235,640
Contributions in relation to the actuarially determined contribution	(206,531)	(211,732)	(230,156)	(235,640)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,209,560	\$ 2,250,078	\$ 2,577,210	\$ 2,671,182
Contributions as a percentage of covered payroll	9.35%	9.41%	8.93%	8.82%

*Only seven years of information are currently available. The City will build this schedule over the next three-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years
Asset valuation method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period Dec 31, 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.

3. Other Information:

There were no benefit changes during the year.

Fiscal Year*		
2018	2019	2020
\$ 211,476	\$ 206,538	\$ 264,631
<u>(211,476)</u>	<u>(206,538)</u>	<u>(264,631)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,687,533	\$ 2,672,169	\$ 3,339,275
7.87%	7.73%	7.92%

(This page intentionally left blank.)

CITY OF JACINTO CITY, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFIT FUND (TMRS SDBF)
For the Year Ended September 30, 2020

	Measurement Year*		
	2017	2018	2019
Total OPEB Liability			
Service cost	\$ 6,181	\$ 7,294	\$ 6,487
Interest (on the total pension liability)	4,897	4,999	5,403
Changes of assumptions	10,921	(9,324)	25,743
Difference between expected and actual experience	-	(6,717)	(8,391)
Benefit payments	(1,075)	(1,081)	(1,410)
Net Change in Total OPEB Liability	<u>20,924</u>	<u>(4,829)</u>	<u>27,832</u>
Beginning total OPEB liability	<u>126,987</u>	<u>147,911</u>	<u>143,082</u>
Ending Total OPEB Liability	<u>\$ 147,911</u>	<u>\$ 143,082</u>	<u>\$ 170,914</u>
Covered Payroll	\$ 2,687,570	\$ 2,701,354	\$ 2,820,650
Total OPEB Liability as a Percentage of Covered Payroll	5.50%	5.30%	6.06%

*Only three years of information is currently available. The City will continue to build this schedule over the next seven-year period.

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

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.75%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

3. Other information:

No assets are accumulated in a trust that meet the criteria in paragraph 4, GASB 75 to pay related benefits.

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

Change in assumptions is the annual change in the municipal bond index rate.

There were no benefit changes during the year.

(This page intentionally left blank.)

CITY OF JACINTO CITY, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTH PLAN
For the Year Ended September 30, 2020

	Measurement Year*		
	2018	2019	2020
Total OPEB Liability			
Service cost	\$ 6,774	\$ 6,286	\$ 8,649
Interest (on the total pension liability)	28,122	30,337	25,666
Difference between expected and actual experience	-	-	75,076
Changes of assumptions	(67,690)	216,737	218,918
Benefit payments	(10,990)	(14,776)	(16,755)
Net Change in Total OPEB Liability	<u>(43,784)</u>	<u>238,584</u>	<u>311,554</u>
Beginning total OPEB liability	<u>777,827</u>	<u>734,043</u>	<u>972,627</u>
Ending Total OPEB Liability	<u>\$ 734,043</u>	<u>\$ 972,627</u>	<u>\$ 1,284,181</u>
Covered Payroll	\$ 2,669,363	\$ 2,749,443	\$ 1,904,674
Total OPEB Liability as a Percentage of Covered Payroll	27.50%	35.38%	67.42%

* Only three years of information is currently available. The City will continue to build this schedule over the next seven-year period.

Notes to Required Supplementary Information:

1. There were no changes of benefits during the year.
2. The only change of assumptions was the change in discount rate from 2.66% to 2.21% to conform with the discount selection requirements of GASB 75.

(This page intentionally left blank.)

SCHEDULE

(This page intentionally left blank.)

CITY OF JACINTO CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2020

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Ad valorem taxes	\$ 491,550	\$ 471,580	\$ (19,970)
Investment income	-	7,485	7,485
Other revenue	-	10,076	10,076
Total Revenues	491,550	489,141	(2,409)
 <u>Expenditures</u>			
Principal	450,000	450,000	-
Interest and fiscal charges	41,550	41,550	-
Total Expenditures	491,550	491,550	-
Net Change in Fund Balance	\$ -	(2,409)	\$ (2,409)
Beginning fund balance		757,189	
Ending Fund Balance		\$ 754,780	

(This page intentionally left blank.)