

ANNUAL FINANCIAL REPORT

of the

**CITY OF
JACINTO CITY, TEXAS**

**For the Year Ended
September 30, 2022**

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CITY OF JACINTO CITY, TEXAS

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September 30, 2022

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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, each major fund, and the remaining fund information of the City of Jacinto City, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note I.F.7 to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*, in fiscal year 2022. Our opinion is not modified with respect to this matter.

Responsibility of Management 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.

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

Auditors' Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 31, 2023 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.

*B*ELT *H*ARRIS *P*ECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
May 31, 2023

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

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CITY OF JACINTO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

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, emergency medical services), 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 three 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, the debt service fund, and the grant 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. The grant fund is considered nonmajor.

CITY OF JACINTO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

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 two types of proprietary funds. 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 benefits 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 \$32,235,968 as of year end. This compares with \$31,296,081 from the prior fiscal year. The largest portion of the City's net position, 90.4 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 (Continued)
For the Year Ended September 30, 2022

Statement of Net Position

The following table provides a condensed Statement of Net Position:

	2022			2021			
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Reconciliation	Total
Current and other assets	\$ 9,180,683	\$ 1,603,291	\$ 10,783,974	\$ 8,472,615	\$ 822,658	\$ -	\$ 9,295,273
Capital assets, net	11,819,540	17,306,165	29,125,705	11,641,703	16,368,609	-	28,010,312
Total Assets	21,000,223	18,909,456	39,909,679	20,114,318	17,191,267	-	37,305,585
Deferred charge on refunding	-	-	-	3,974	-	-	3,974
Deferred outflows - pensions	391,119	67,481	458,600	333,941	57,395	-	391,336
Deferred outflows - OPEB	37,833	-	37,833	43,784	-	-	43,784
Total Deferred Outflows of Resources	428,952	67,481	496,433	381,699	57,395	-	439,094
Long-term liabilities	3,154,093	576,594	3,730,687	3,302,353	520,767	-	3,823,120
Other liabilities	2,679,350	889,503	3,568,853	1,885,519	359,083	-	2,244,602
Total Liabilities	5,833,443	1,466,097	7,299,540	5,187,872	879,850	-	6,067,722
Deferred inflows - pensions	614,978	120,149	735,127	292,178	63,207	-	355,385
Deferred inflows - OPEB	35,597	-	35,597	25,491	-	-	25,491
Deferred inflows - leases	99,880	-	99,880	-	-	-	-
Total Deferred Inflows of Resources	750,455	120,149	870,604	317,669	63,207	-	380,876
Net investment in capital assets	11,819,540	17,306,165	29,125,705	11,552,738	16,368,609	(466,026)	27,455,321
Restricted	1,591,211	-	1,591,211	1,629,779	-	-	1,629,779
Unrestricted	1,434,526	84,526	1,519,052	1,807,959	(63,004)	466,026	2,210,981
Total Net Position	\$ 14,845,277	\$ 17,390,691	\$ 32,235,968	\$ 14,990,476	\$ 16,305,605	-	\$ 31,296,081

A portion of the primary government's net position, \$1,591,211 or 4.9%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$1,519,052 or 4.7%, is unrestricted and may be used to meet the City's ongoing obligation to citizens and creditors.

CITY OF JACINTO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

Statement of Activities

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

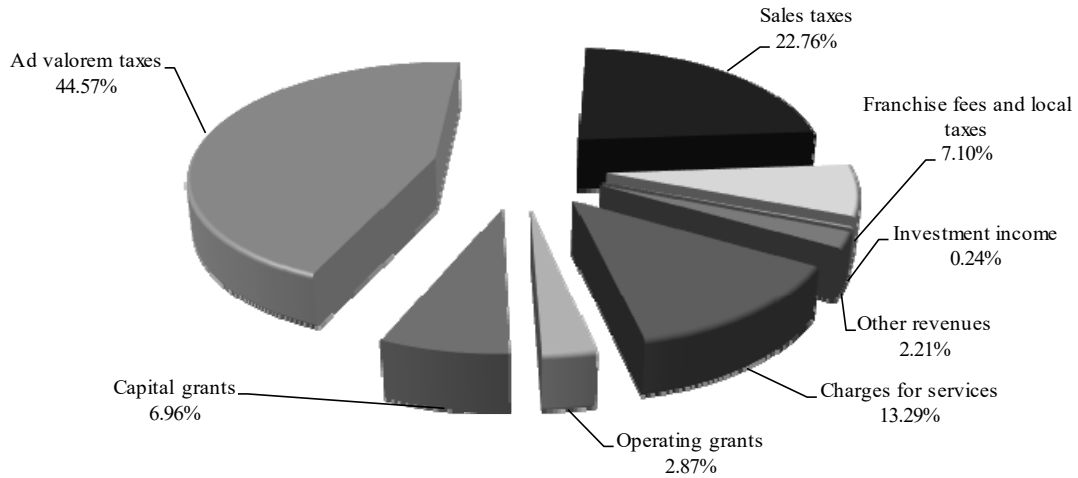
	2022			2021		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 1,181,799	\$ 2,327,577	\$ 3,509,376	\$ 1,516,147	\$ 2,262,221	\$ 3,778,368
Operating grants	255,038	-	255,038	182,631	-	182,631
Capital grants	619,229	1,230,358	1,849,587	351,139	69,940	421,079
General revenues:						
Ad valorem taxes	3,964,170	-	3,964,170	3,924,010	-	3,924,010
Sales taxes	2,024,564	-	2,024,564	1,797,840	-	1,797,840
Franchise fees and local taxes	631,691	-	631,691	641,289	-	641,289
Investment income	21,177	506	21,683	3,976	349	4,325
Other revenues	196,970	-	196,970	273,249	-	273,249
Total Revenues	8,894,638	3,558,441	12,453,079	8,690,281	2,332,510	11,022,791
Expenses						
General government	1,011,561	-	1,011,561	923,549	-	923,549
Public safety	4,238,471	-	4,238,471	4,447,336	-	4,447,336
Public works	1,848,003	-	1,848,003	1,649,309	-	1,649,309
Community services	1,062,809	-	1,062,809	1,040,037	-	1,040,037
Interest and fees on debt	-	-	-	16,130	-	16,130
Public utilities	-	3,352,348	3,352,348	-	3,196,430	3,196,430
Total Expenses	8,160,844	3,352,348	11,513,192	8,076,361	3,196,430	11,272,791
Increase (Decrease) in Net Position Before Transfers	733,794	206,093	939,887	613,920	(863,920)	(250,000)
Transfers	(878,993)	878,993	-	(376,997)	376,997	-
Change in Net Position	(145,199)	1,085,086	939,887	236,923	(486,923)	(250,000)
Beginning net position	14,990,476	16,305,605	31,296,081	14,753,553	16,792,528	31,546,081
Ending Net Position	\$ 14,845,277	\$ 17,390,691	\$ 32,235,968	\$ 14,990,476	\$ 16,305,605	\$ 31,296,081

The City's net position increased by \$939,887 during the current fiscal year. Total revenues increased by \$1,430,288 largely due to increases in capital grants. Capital grants increased primarily due to intergovernmental revenue from several Community Development Block Grant (CDBG) grants. Total expenses increased by \$240,401 primarily due to an increase in grant administration expenses, as well as an increase in pension expense related to the TMRS pension plan.

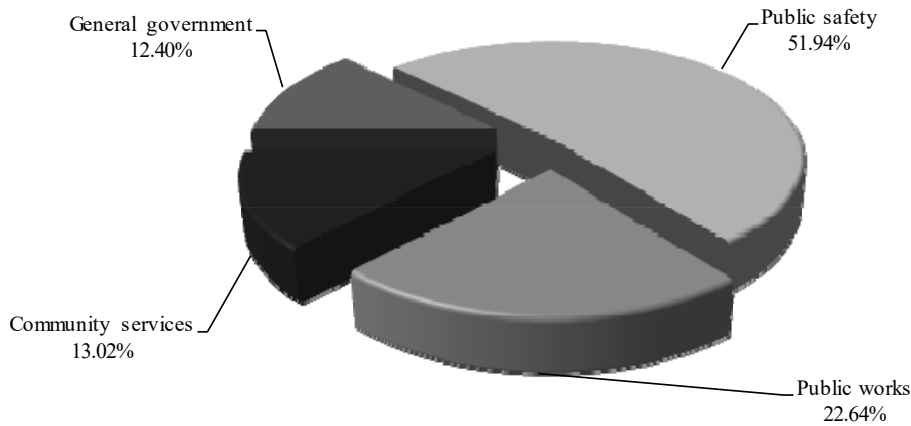
CITY OF JACINTO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

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

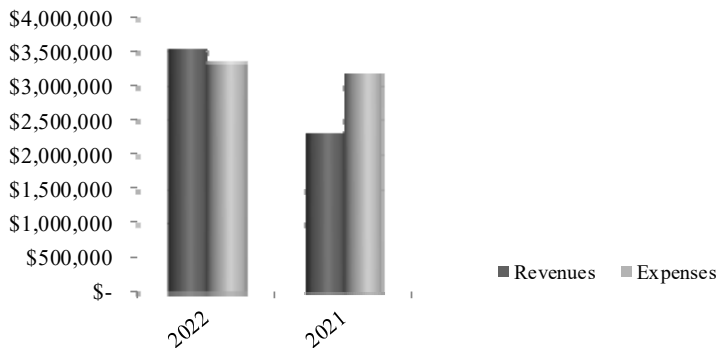
GOVERNMENTAL REVENUES



GOVERNMENTAL EXPENSES



**BUSINESS-TYPE ACTIVITIES
REVENUES AND EXPENSES**



CITY OF JACINTO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

Revenues for governmental activities were comparable in total to the prior year, increasing by just 2%. Capital grants increased 76% primarily due funding from CDBG grants. Charges for services decreased 22% largely due to a decrease in income from ambulance services. Governmental activities expenses were comparable to the prior year with an increase of 1%.

Overall, business-type activity revenues increased by \$1,225,931 when compared to the previous year. This increase in revenue is a result of more CDBG 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 \$5,557,515. Of this, \$1,591,211 is restricted for various purposes. There was a net decrease in the combined fund balance of \$27,416 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 \$3,966,304. 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 53% of the total general fund expenditures, while total fund balance represents 65% of that same amount.

The fund balance in the general fund increased by \$73,599 for a total of \$4,890,202 at year end. This increase is largely the result of an increase in sales tax revenue in comparison to the prior year.

The fund balance of the debt service fund decreased by \$249,603. This decrease is attributed to the City transferring funds to the enterprise fund after the City paid off its general obligation bonds. The ending fund balance of the debt service fund was \$518,725 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 \$628,137 for the general fund. Total actual revenues were less than budgeted revenues by \$306,509. The largest variances were from ad valorem taxes and fines and forfeitures due to less property taxes and municipal court fines collected than anticipated. Actual expenditures were \$1,421,808 less than budgeted expenditures. The greatest positive variance was in public safety primarily due to less personnel expenditures than anticipated.

CAPITAL ASSETS

At the end of the year, the City's governmental activities and business-type activities had invested \$29,125,705 in a variety of capital assets and infrastructure (net of accumulated depreciation).

CITY OF JACINTO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

The significant capital asset acquisitions during the current year included the following:

- Four vehicles: \$148,545
- Waterline rehabilitation: \$1,136,371
- Wastewater treatment plant rehabilitation (construction in progress): \$205,699
- Drainage improvements (construction in progress): \$338,823

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 no outstanding general obligation debt or notes payable.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's budgeted expenditures for fiscal year 2023 total \$8,771,288 in the general fund. The City Council adopted a 2022 tax rate of \$0.655880 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

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CITY OF JACINTO CITY, TEXAS

STATEMENT OF NET POSITION

September 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash - unrestricted	\$ 6,091,397	\$ 1,021,004	\$ 7,112,401
Investments	1,496,605	327,800	1,824,405
Receivables, net	1,536,846	254,487	1,791,333
Cash - restricted	55,835	-	55,835
	9,180,683	1,603,291	10,783,974
Capital assets:			
Nondepreciable	375,907	517,733	893,640
Net depreciable capital assets	11,443,633	16,788,432	28,232,065
	11,819,540	17,306,165	29,125,705
Total Assets	21,000,223	18,909,456	39,909,679
<u>Deferred Outflows of Resources</u>			
Deferred outflows - pensions	391,119	67,481	458,600
Deferred outflows - OPEB SDBF	37,833	-	37,833
Total Deferred Outflows of Resources	428,952	67,481	496,433
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	583,631	137,182	720,813
Customer deposits	-	252,149	252,149
Unearned revenue	2,095,719	500,172	2,595,891
	2,679,350	889,503	3,568,853
Noncurrent liabilities:			
Due within one year	55,103	6,651	61,754
Due in more than one year	3,098,990	569,943	3,668,933
	3,154,093	576,594	3,730,687
Total Liabilities	5,833,443	1,466,097	7,299,540
<u>Deferred Inflows of Resources</u>			
Deferred inflows - pensions	614,978	120,149	735,127
Deferred inflows - OPEB SDBF	35,597	-	35,597
Deferred inflows - leases	99,880	-	99,880
Total Deferred Inflows of Resources	750,455	120,149	870,604
<u>Net Position</u>			
Net investment in capital assets	11,819,540	17,306,165	29,125,705
Restricted for:			
Child safety	339,790	-	339,790
Debt service	518,725	-	518,725
Court technology	195,723	-	195,723
Municipal court	96,769	-	96,769
Police equipment	7,608	-	7,608
Governmental programming	284,008	-	284,008
Special projects	148,588	-	148,588
Unrestricted	1,434,526	84,526	1,519,052
Total Net Position	\$ 14,845,277	\$ 17,390,691	\$ 32,235,968

See Notes to Financial Statements.

CITY OF JACINTO CITY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,011,561	\$ -	\$ -	\$ -
Public safety	4,238,471	639,973	67,038	-
Public works	1,848,003	541,826	-	619,229
Community services	1,062,809	-	188,000	-
Total Governmental Activities	8,160,844	1,181,799	255,038	619,229
Business-Type Activities				
Public utilities	3,352,348	2,327,577	-	1,230,358
Total Business-Type Activities	3,352,348	2,327,577	-	1,230,358
Total Primary Government	\$ 11,513,192	\$ 3,509,376	\$ 255,038	\$ 1,849,587

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
\$ (1,011,561)	\$ -	\$ (1,011,561)
(3,531,460)	-	(3,531,460)
(686,948)	-	(686,948)
(874,809)	-	(874,809)
<u>(6,104,778)</u>	<u>-</u>	<u>(6,104,778)</u>
-	205,587	205,587
-	205,587	205,587
<u>(6,104,778)</u>	<u>205,587</u>	<u>(5,899,191)</u>
3,964,170	-	3,964,170
2,024,564	-	2,024,564
631,691	-	631,691
21,177	506	21,683
196,970	-	196,970
(878,993)	878,993	-
<u>5,959,579</u>	<u>879,499</u>	<u>6,839,078</u>
(145,199)	1,085,086	939,887
14,990,476	16,305,605	31,296,081
<u>\$ 14,845,277</u>	<u>\$ 17,390,691</u>	<u>\$ 32,235,968</u>

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CITY OF JACINTO CITY, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2022

	General	Debt Service	Nonmajor Governmental Grant	Total Governmental Funds
<u>Assets</u>				
Cash - unrestricted	\$ 5,421,467	\$ 518,037	\$ 148,588	\$ 6,088,092
Investments	1,496,605	-	-	1,496,605
Receivables, net	1,409,961	68,801	58,084	1,536,846
Due from other funds	32	-	-	32
Cash - restricted	55,835	-	-	55,835
Total Assets	\$ 8,383,900	\$ 586,838	\$ 206,672	\$ 9,177,410
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 524,775	\$ -	\$ 58,084	\$ 582,859
Due to other funds	-	32	-	32
Unearned revenue	2,095,719	-	-	2,095,719
Total Liabilities	2,620,494	32	58,084	2,678,610
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - EMS services	356,287	-	-	356,287
Unavailable revenue - property taxes	417,037	68,081	-	485,118
Unavailable revenue - leases	99,880	-	-	99,880
Total Deferred Inflows of Resources	873,204	68,081	-	941,285
<u>Fund Balances</u>				
Restricted				
Child safety	339,790	-	-	339,790
Debt service	-	518,725	-	518,725
Court technology	195,723	-	-	195,723
Municipal court	96,769	-	-	96,769
Police equipment	7,608	-	-	7,608
Governmental programming	284,008	-	-	284,008
Special projects	-	-	148,588	148,588
Unassigned	3,966,304	-	-	3,966,304
Total Fund Balances	4,890,202	518,725	148,588	5,557,515
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,383,900	\$ 586,838	\$ 206,672	\$ 9,177,410

See Notes to Financial Statements.

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CITY OF JACINTO CITY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2022

Total fund balances for the governmental funds		\$ 5,557,515
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		375,907
Capital assets - net depreciable		11,443,633
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
		841,405
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.		
Deferred outflows - pensions		391,119
Deferred outflows - OPEB SDBF		37,833
Deferred inflows - pensions		(614,978)
Deferred inflows - OPEB SDBF		(35,597)
Noncurrent liabilities due within one year		(55,103)
Noncurrent liabilities due in more than one year		(3,098,990)
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.		
		<u>2,533</u>
Net Position of Governmental Activities	\$	<u><u>14,845,277</u></u>

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CITY OF JACINTO CITY, TEXAS

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

For the Year Ended September 30, 2022

	General	Debt Service	Nonmajor Governmental Grant	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 3,462,083	\$ 474,292	\$ -	\$ 3,936,375
Sales taxes	2,024,564	-	-	2,024,564
Franchise fees and local taxes	631,691	-	-	631,691
Licenses and permits	106,100	-	-	106,100
Fines and forfeitures	593,575	-	-	593,575
Charges for services	672,370	-	-	672,370
Intergovernmental	407,771	-	466,496	874,267
Investment income	19,512	1,460	205	21,177
Other revenue	188,225	8,745	-	196,970
Total Revenues	8,105,891	484,497	466,701	9,057,089
Expenditures				
Current:				
General government	778,697	-	-	778,697
Public safety	3,502,125	-	-	3,502,125
Public works	1,640,368	-	466,496	2,106,864
Community services	928,294	-	-	928,294
Capital outlay	603,220	-	-	603,220
Debt service:				
Principal	88,965	470,000	-	558,965
Interest and fiscal charges	3,461	14,100	-	17,561
Total Expenditures	7,545,130	484,100	466,496	8,495,726
Excess of Revenues Over Expenditures	560,761	397	205	561,363
Other Financing Sources (Uses)				
Transfers in	-	-	148,383	148,383
Transfers (out)	(487,162)	(250,000)	-	(737,162)
Total Other Financing Sources (Uses)	(487,162)	(250,000)	148,383	(588,779)
Net Change in Fund Balances	73,599	(249,603)	148,588	(27,416)
Beginning fund balances	4,816,603	768,328	-	5,584,931
Ending Fund Balances	\$ 4,890,202	\$ 518,725	\$ 148,588	\$ 5,557,515

See Notes to Financial Statements.

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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, 2022

Net changes in fund balances - total governmental funds \$ (27,416)

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	757,037
Disposals of capital assets, net	(26,415)
Depreciation expense	(552,785)

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	27,795
Deferred emergency medical services revenue	(190,246)

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 and other postemployment benefits (OPEB) expenses and the amortization of deferred items are recognized at the government-wide level.

Principal expenditures	470,000
Amortization of loss on refunding	(3,974)
Amortization of premium	17,629
Note payable payments	88,965
Net pension liability	(661,176)
Deferred outflows - pensions	57,178
Deferred inflows - pensions	(322,800)
Total OPEB liability	234,629
Deferred outflows - OPEB SDBF	(5,951)
Deferred inflows - OPEB SDBF	(10,106)

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	(1,787)
Accrued interest payable	5,824

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.

(1,600)

Change in Net Position of Governmental Activities \$ (145,199)

See Notes to Financial Statements.

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CITY OF JACINTO CITY, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2022

	Enterprise	Governmental Activities Internal Service
<u>Assets</u>		
Current assets:		
Cash, unrestricted	\$ 1,021,004	\$ 3,305
Investments	327,800	-
Receivables, net	254,487	-
Total Current Assets	1,603,291	3,305
Noncurrent assets:		
Capital assets:		
Nondepreciable	517,733	-
Net depreciable capital assets	16,788,432	-
Total Noncurrent Assets	17,306,165	-
Total Assets	18,909,456	3,305
 <u>Deferred Outflows of Resources</u>		
Deferred outflows - pensions	67,481	-
Total Deferred Outflows of Resources	67,481	-
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	137,182	772
Customer deposits	252,149	-
Unearned revenue	500,172	-
Total Current Liabilities	889,503	772
Noncurrent liabilities:		
Due within one year	6,651	-
Due in more than one year	569,943	-
Total Noncurrent Liabilities	576,594	-
Total Liabilities	1,466,097	772
 <u>Deferred Inflows of Resources</u>		
Deferred inflows - pensions	120,149	-
Total Deferred Inflows of Resources	120,149	-
 <u>Net Position</u>		
Net investment in capital assets	17,306,165	-
Unrestricted	84,526	2,533
Total Net Position	\$ 17,390,691	\$ 2,533

See Notes to Financial Statements.

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CITY OF JACINTO CITY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended September 30, 2022

	Enterprise	Governmental Activities Internal Service
<u>Operating Revenues</u>		
Water charges	\$ 1,507,162	\$ -
Sewer charges	730,087	-
Service charges	-	30,000
Other services	90,328	-
Total Operating Revenues	2,327,577	30,000
<u>Operating Expenses</u>		
Costs of sales and services	1,784,911	31,600
Administration	1,034,575	-
Depreciation	524,043	-
Total Operating Expenses	3,343,529	31,600
Operating (Loss)	(1,015,952)	(1,600)
<u>Nonoperating Revenues (Expenses)</u>		
Investment income	506	-
Interest expense	(8,819)	-
Intergovernmental revenue	1,230,358	-
Total Nonoperating Revenues	1,222,045	-
Income (Loss) Before Capital Contributions and Transfers	206,093	(1,600)
<u>Capital Contributions and Transfers</u>		
Capital contributions	290,214	-
Transfers (net)	588,779	-
Change in Net Position	1,085,086	(1,600)
Beginning net position	16,305,605	4,133
Ending Net Position	\$ 17,390,691	\$ 2,533

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, 2022

	Enterprise	Governmental Activities Internal Service
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 2,313,470	\$ -
Receipts from interfund charges for services	-	30,000
Payments to suppliers	(1,782,039)	(30,828)
Payments to employees	(931,892)	-
Net Cash (Used) by Operating Activities	(400,461)	(828)
<u>Cash Flows from Noncapital Financing Activities</u>		
Net transfer from and to other funds	588,779	-
Net Cash Provided by Noncapital Financing Activities	588,779	-
<u>Cash Flows from Capital and Related Financing Activities</u>		
Intergovernmental revenue	1,730,530	-
Capital purchases	(1,171,385)	-
Interest paid on capital debt	(8,819)	-
Net Cash Provided by Capital and Related Financing Activities	550,326	-
<u>Cash Flows from Investing Activities</u>		
Purchase of investments	(300)	-
Interest on investments	506	-
Net Cash Provided by Investing Activities	206	-
Net Increase (Decrease) in Cash and Cash Equivalents	738,850	(828)
Beginning cash and cash equivalents	282,154	4,133
Ending Cash and Cash Equivalents	\$ 1,021,004	\$ 3,305

CITY OF JACINTO CITY, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 2 of 2) For the Year Ended September 30, 2022

	Enterprise	Governmental Activities Internal Service
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating (loss)	\$ (1,015,952)	\$ (1,600)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities:		
Depreciation	524,043	-
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts receivable	(21,577)	-
Deferred outflows - pensions	(10,086)	-
Increase (Decrease) in Liabilities:		
Accounts payable and accrued liabilities	22,778	772
Customer deposits	7,470	-
Compensated absences	216	-
Net pension liability	116,631	-
Total OPEB liability	(61,020)	-
Deferred inflows - pensions	56,942	-
Net Cash (Used) by Operating Activities	\$ (400,461)	\$ (828)
 Noncash investing, capital, and financing activities:		
Contributions of capital assets	\$ 290,214	\$ -

See Notes to Financial Statements.

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CITY OF JACINTO CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2022

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, 2022

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 *special revenue fund* is used to account for proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes. The grant fund is used to account for the receipt of grant funds from the State or Federal Government, as governed by the terms of the grant.

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.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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 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 note payables 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

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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.

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.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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

Property, plant, and equipment of the primary government 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.
- Leases receivable are amortized over the terms of the leases.

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 inflows of resources in the period that the amounts become available.

The City also recognizes a deferred inflow of unavailable resources that are related to leases receivable at the fund level under modified accrual basis of accounting and on the Statement of Net Position under the full accrual basis of accounting. The revenue is recognized at the fund level and on the Statement of Activities as the deferred inflow from leases receivable is amortized.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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 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. Leases

The City is a lessor for noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

8. 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.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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 note payable are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum note payable payments at inception of the note. In the year of acquisition, note payable transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Note payable 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.

9. 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.

10. 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 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.

11. 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

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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.

12. Estimates

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

13. Pensions

For 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.

14. 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.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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 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.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

A. Expenditures in Excess of Appropriations:

For the year ended September 30, 2022, expenditures exceeded appropriations at the legal level of control as follows:

General fund:	
Transfers (out)	\$ 487,162
Debt service fund:	
Transfers (out)	\$ 250,000

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:

Investment Type	Value	Weighted Average Maturity (Years)
Certificates of deposit	\$ 1,824,405	0.21

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, 2022, market values of pledged securities and FDIC insurance exceeded bank balances.

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.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

B. Receivables

The following comprise receivable balances at year end:

	Nonmajor				Total
	General	Debt Service	Governmental	Enterprise	
Accounts	\$ 1,187,622	\$ -	\$ -	\$ 547,390	\$ 1,735,012
Ad valorem	424,759	70,752	-	-	495,511
Sales taxes	348,431	-	-	-	348,431
Grants	136,697	-	58,084	19,361	214,142
Leases	97,403	-	-	-	97,403
Other	62,423	721	-	9,318	72,462
Less allowance	(847,374)	(2,672)	-	(321,582)	(1,171,628)
Totals	\$ 1,409,961	\$ 68,801	\$ 58,084	\$ 254,487	\$ 1,791,333

C. Capital Assets

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

	Primary Government			
	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 37,084	\$ -	\$ -	\$ 37,084
Construction in progress	-	338,823	-	338,823
Total capital assets, not being depreciated	37,084	338,823	-	375,907
Capital assets, being depreciated:				
Buildings	13,192,581	-	-	13,192,581
Improvements other than buildings	759,521	-	(117,820)	641,701
Infrastructure	2,822,024	204,954	117,820	3,144,798
Equipment	1,751,425	64,715	-	1,816,140
Vehicles	2,767,082	148,545	(33,018)	2,882,609
Total capital assets being depreciated	21,292,633	418,214	(33,018)	21,677,829
Less accumulated depreciation for:				
Buildings	(3,945,537)	(303,973)	-	(4,249,510)
Improvements other than buildings	(527,856)	(24,451)	-	(552,307)
Infrastructure	(2,049,785)	(32,863)	-	(2,082,648)
Equipment	(1,274,673)	(67,364)	-	(1,342,037)
Vehicles	(1,890,163)	(124,134)	6,603	(2,007,694)
Total accumulated depreciation	(9,688,014)	(552,785)	6,603	(10,234,196)
Total capital assets, being depreciated, net	11,604,619	(134,571)	-	11,443,633
Governmental Activities Capital Assets, Net	\$ 11,641,703	\$ 204,252	\$ (26,415)	\$ 11,819,540
		Net Investment in Capital Assets		\$ 11,819,540

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Depreciation was charged to governmental functions as follows:

General government	\$	128,798
Public safety		252,422
Public works		105,237
Community services		66,328
Total Governmental Activities Depreciation Expense	\$	<u>552,785</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 7,953	\$ -	\$ -	\$ 7,953
Construction in progress	<u>670,472</u>	<u>1,342,070</u>	<u>1,502,762</u>	<u>509,780</u>
Total capital assets, not being depreciated	<u>678,425</u>	<u>1,342,070</u>	<u>1,502,762</u>	<u>517,733</u>
Capital assets, being depreciated:				
Infrastructure	23,723,126	1,622,291	-	25,345,417
Equipment	187,129	-	-	187,129
Vehicles	<u>279,105</u>	<u>-</u>	<u>-</u>	<u>279,105</u>
Total capital assets being depreciated	<u>24,189,360</u>	<u>1,622,291</u>	<u>-</u>	<u>25,811,651</u>
Less accumulated depreciation for:				
Infrastructure	(8,101,250)	(511,580)	-	(8,612,830)
Equipment	(147,560)	(2,638)	-	(150,198)
Vehicles	<u>(250,366)</u>	<u>(9,825)</u>	<u>-</u>	<u>(260,191)</u>
Total accumulated depreciation	<u>(8,499,176)</u>	<u>(524,043)</u>	<u>-</u>	<u>(9,023,219)</u>
Total capital assets, being depreciated, net	<u>15,690,184</u>	<u>(408,112)</u>	<u>-</u>	<u>16,788,432</u>
Business-Type Activities Capital Assets, Net	<u>\$ 16,368,609</u>	<u>\$ 933,958</u>	<u>\$ 1,502,762</u>	<u>\$ 17,306,165</u>

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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.

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 470,000	\$ -	\$ 470,000	\$ -	\$ -
Note payable	88,965	-	88,965	-	-
Compensated absences	59,439	1,787	-	61,226	55,103
Net pension liability	1,333,150	661,176	-	1,994,326	-
Total OPEB liability					
SDBF	198,735	4,364	-	203,099	-
Health	1,134,435	-	238,993	895,442	-
Premium on debt	17,629	-	17,629	-	-
Total Governmental Activities	\$ 3,302,353	\$ 667,327	\$ 815,587	\$ 3,154,093	\$ 55,103

Long-term liabilities due in more than one year \$ 3,098,990

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 7,174	\$ 216	\$ -	\$ 7,390	\$ 6,651
Net pension liability	325,005	116,631	-	441,636	-
Total OPEB liability-health	188,588	-	61,020	127,568	-
Total Business-Type Activities	\$ 520,767	\$ 116,847	\$ 61,020	\$ 576,594	\$ 6,651

Long-term liabilities due in more than one year \$ 569,943

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.

General obligation debt and note payables were paid off during the year.

The assets acquired through notes payable are as follows:

<u>Asset</u>	<u>Amount</u>
Vehicles	\$ 845,831
Less: accumulated depreciation	(561,265)
Total	<u>\$ 284,566</u>

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)

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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.

E. Interfund Transactions

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

Receivable Fund	Payable Fund	Amounts
General fund	Debt service	\$ 32

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	\$ 338,779
Enterprise fund	Debt service	250,000
Nonmajor	General fund	148,383
		\$ 737,162

The general fund made transfers to the enterprise fund and nonmajor fund to provide financing for miscellaneous capital projects. The debt service fund transferred excessive funds after the City paid off its debt to the enterprise fund.

F. Restatement

The City has restated beginning assets, liabilities, and deferred inflows of resources for governmental activities for the implementation of GASB 87, *Leases*. This restatement had no effect on beginning fund balance/net position.

	General	Governmental Activities
Beginning fund balance/net position - as reported	\$ 4,816,603	\$ 14,990,476
Leases receivable	133,173	133,173
Deferred inflow of resources - leases	(133,173)	(133,173)
Beginning fund balance/net position - restated	\$ 4,816,603	\$ 14,990,476

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

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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.

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.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available Annual Comprehensive 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, 2022

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:

	2022	2021
Employee deposit rate	6.00%	5.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yr/s 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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to, but not yet receiving, benefits	43
Active employees	74
Total	145

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching ratios are either 1:1 (1 to 1), 1.5:1 (1½ to 1), or 2:1 (2 to 1), 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 actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.22% and 11.80% in calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2022 were \$476,971, which were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Actuarial Assumptions

The TPL in the December 31, 2021 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 were 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 are used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The postretirement 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. 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	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.00%	

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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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, TMRS'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

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	\$ 472,022	\$ -	\$ 472,022
Interest	910,767	-	910,767
Changes in current period benefits	1,284,606	-	1,284,606
Difference between expected and actual experience	28,513	-	28,513
Changes in assumptions	-	-	-
Contributions - employer	-	395,026	(395,026)
Contributions - employee	-	167,384	(167,384)
Net investment income	-	1,361,949	(1,361,949)
Benefit payments, including refunds of employee contributions	(260,271)	(260,271)	-
Administrative expense	-	(6,300)	6,300
Other changes	-	42	(42)
Net Changes	2,435,637	1,657,830	777,807
Balance at December 31, 2020	12,102,361	10,444,206	1,658,155
Balance at December 31, 2021	\$ 14,537,998	\$ 12,102,036	\$ 2,435,962

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	\$ 4,355,141	\$ 2,435,962	\$ 849,585

Pension Plan Fiduciary Net Position

Detailed information about the TMRS's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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

For the fiscal year ended September 30, 2022, the City recognized pension expense of \$1,567,256.

At September 30, 2022, 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	\$ 91,235	\$ 33,989
Changes in actuarial assumptions	-	4,747
Difference between projected and actual investment earnings	-	696,391
Contributions subsequent to the measurement date	367,365	-
Total	\$ 458,600	\$ 735,127

\$367,365 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, 2023. 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
2023	\$ (127,018)
2024	(254,503)
2025	(132,779)
2026	(129,592)
Total	\$ (643,892)

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).

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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 SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

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, 2021 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to, but not yet receiving, benefits	9
Active employees	74
Total	95

Total OPEB Liability

The City's total OPEB liability of \$203,099 was measured as of December 31, 2021 and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs

The OPEB liability in the December 31, 2021 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	1.84%*
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.

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Due to the higher mortality rates associated with the global pandemic, the TMRS Board adopted changes to the assumptions and methodology used for calculating 2023 rates as determined in the December 31, 2021 actuarial valuation.

Changes in the Total OPEB Liability

		Total OPEB Liability	
Changes for the year:			
Service cost	\$	18,412	
Interest		4,119	
Difference between expected and actual experience		(19,969)	
Changes of assumptions		5,819	
Benefit payments*		(4,017)	
	Net Changes	4,364	
Beginning		198,735	
	Ending	\$ 203,099	

* 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 decreased from 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021. 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 a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
City's Total OPEB Liability	\$ 245,343	\$ 203,099	\$ 170,039

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$24,014. 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	35,355	2,748
Difference between expected and actual experience	-	32,849
Contributions subsequent to the measurement date	2,478	-
Total	\$ 37,833	\$ 35,597

\$2,478 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, 2023.

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
2023	\$ 848
2024	490
2025	1,564
2026	(643)
2027	(1,888)
Thereafter	(613)
Total	\$ (242)

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 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.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Benefits

Participation in the Plan as of September 30, 2022 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to, but not yet receiving, benefits	-
Active employees	46
Total	50

Funding Policy

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

Total OPEB Liability

The City's total OPEB liability of \$1,023,010 was measured as of September 30, 2022 and was determined by an actuarial valuation as of September 30, 2022.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2022 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	2.25%
Discount rate	4.02%
Health care trend rate	3.80%
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 29, 2022.

CITY OF JACINTO CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Changes in the Total OPEB Liability

		<u>Total OPEB Liability</u>
Changes for the year:		
Service cost	\$	23,776
Interest		29,722
Difference between expected and actual experience		(26,125)
Changes of assumptions		(311,665)
Benefit payments		(15,721)
	Net Changes	<u>(300,013)</u>
Beginning		1,323,023
	Ending	<u>\$ 1,023,010</u>

The discount rate increased from 2.26% to 4.02%. The healthcare trend rate decreased from 3.90% to 3.80% and the expected increases in medical costs assumptions were revised. 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 (3.02%)	Discount Rate (4.02%)	1% Increase in Discount Rate (5.02%)
City's Total OPEB Liability	<u>\$ 1,175,011</u>	<u>\$ 1,023,010</u>	<u>\$ 895,262</u>

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 Assumption	1% Increase
City's Total OPEB Liability	<u>\$ 866,885</u>	<u>\$ 1,023,010</u>	<u>\$ 1,222,240</u>

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

For the year ended September 30, 2022, the City recognized OPEB income of \$284,292.

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

REQUIRED SUPPLEMENTARY INFORMATION

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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, 2022

	<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	\$ 3,694,712	\$ 3,694,712	\$ 3,462,083	\$ (232,629)
Sales taxes	1,700,000	1,700,000	2,024,564	324,564
Franchise fees and local taxes	501,000	501,000	631,691	130,691
Licenses and permits	91,800	91,800	106,100	14,300
Fines and forfeitures	942,500	942,500	593,575	(348,925)
Charges for services	798,237	798,237	672,370	(125,867)
Intergovernmental	207,981	457,981	407,771	(50,210)
Investment income	63,000	63,000	19,512	(43,488)
Other revenue	163,170	163,170	188,225	25,055
Total Revenues	<u>8,162,400</u>	<u>8,412,400</u>	<u>8,105,891</u>	<u>(306,509)</u>
Expenditures				
Current:				
General government	795,344	818,828	778,697	40,131
Public safety	4,025,319	4,214,256	3,502,125	712,131
Public works	1,852,133	1,909,077	1,640,368	268,709
Community services	1,046,837	1,114,291	928,294	185,997
Capital outlay	348,000	817,986	603,220	214,766
Debt service:				
Principal	89,039	89,039	88,965	74
Interest and fiscal charges	3,461	3,461	3,461	-
Total Expenditures	<u>8,160,133</u>	<u>8,966,938</u>	<u>7,545,130</u>	<u>1,421,808</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,267</u>	<u>(554,538)</u>	<u>560,761</u>	<u>1,115,299</u>
Other Financing Sources (Uses)				
Transfers (out)	-	-	(487,162)	(487,162) *
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>(487,162)</u>	<u>(487,162)</u>
Net Change in Fund Balance	<u>\$ 2,267</u>	<u>\$ (554,538)</u>	<u>73,599</u>	<u>\$ 628,137</u>
Beginning fund balance			<u>4,816,603</u>	
Ending Fund Balance			<u>\$ 4,890,202</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, 2022

	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	<u>255,708</u>	<u>458,785</u>	<u>80,592</u>	<u>608,218</u>
Beginning total pension liability	7,711,020	7,966,728	8,425,513	8,506,105
Ending Total Pension Liability	<u><u>\$ 7,966,728</u></u>	<u><u>\$ 8,425,513</u></u>	<u><u>\$ 8,506,105</u></u>	<u><u>\$ 9,114,323</u></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)	(290)	(271)
Net Change in Plan Fiduciary Net Position	<u>407,621</u>	<u>34,243</u>	<u>429,053</u>	<u>1,076,655</u>
Beginning plan fiduciary net position	6,579,859	6,987,480	7,021,723	7,450,776
Ending Plan Fiduciary Net Position	<u><u>\$ 6,987,480</u></u>	<u><u>\$ 7,021,723</u></u>	<u><u>\$ 7,450,776</u></u>	<u><u>\$ 8,527,431</u></u>
Net Pension Liability	<u><u>\$ 979,248</u></u>	<u><u>\$ 1,403,790</u></u>	<u><u>\$ 1,055,329</u></u>	<u><u>\$ 586,892</u></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 eight years of information are currently available. The City will build this schedule over the next two-year period.

Measurement Year*

	2018	2019	2020	2021
\$	260,140	\$ 270,218	\$ 408,208	\$ 472,022
	613,202	651,217	752,902	910,767
	-	-	1,015,982	1,284,606
	29,683	(153,950)	130,816	28,513
	-	(21,496)	-	-
	(319,839)	(369,912)	(279,133)	(260,271)
	583,186	376,077	2,028,775	2,435,637
	9,114,323	9,697,509	10,073,586	12,102,361
\$	<u>9,697,509</u>	<u>\$ 10,073,586</u>	<u>\$ 12,102,361</u>	<u>\$ 14,537,998</u>

\$	204,492	\$ 219,446	\$ 277,832	\$ 395,026
	135,068	141,033	174,299	167,384
	(255,509)	1,281,573	724,949	1,361,949
	(319,839)	(369,912)	(279,133)	(260,271)
	(4,937)	(7,239)	(4,691)	(6,300)
	(257)	(217)	(183)	42
	(240,982)	1,264,684	893,073	1,657,830
	8,527,431	8,286,449	9,551,133	10,444,206
\$	<u>8,286,449</u>	<u>\$ 9,551,133</u>	<u>\$ 10,444,206</u>	<u>\$ 12,102,036</u>

\$	<u>1,411,060</u>	<u>\$ 522,453</u>	<u>\$ 1,658,155</u>	<u>\$ 2,435,962</u>
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	85.45%	94.81%	86.30%	83.24%
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\$	2,701,354	\$ 2,820,650	\$ 3,485,982	\$ 3,347,671
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	52.24%	18.52%	47.57%	72.77%
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CITY OF JACINTO CITY, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2022

	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 nine years of information are currently available. The City will build this schedule over the next one-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	24 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 December 31, 2014 - December 31, 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:

Increased member contribution rate from 5% to 6%

Fiscal Year*				
2018	2019	2020	2021	2022
\$ 211,476	\$ 206,538	\$ 264,631	\$ 360,432	\$ 476,971
<u>(211,476)</u>	<u>(206,538)</u>	<u>(264,631)</u>	<u>(360,432)</u>	<u>(476,971)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,687,533	\$ 2,672,169	\$ 3,339,275	\$ 3,359,998	\$ 3,407,038
7.87%	7.73%	7.92%	10.73%	14.00%

CITY OF JACINTO CITY, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS FUND (TMRS SDBF)
For the Year Ended September 30, 2022

	Measurement Year*			
	2017	2018	2019	2020
Total OPEB Liability				
Service cost	\$ 6,181	\$ 7,294	\$ 6,487	\$ 14,641
Interest (on the total pension liability)	4,897	4,999	5,403	4,877
Difference between expected and actual experience	-	(6,717)	(8,391)	(14,859)
Changes of assumptions	10,921	(9,324)	25,743	24,905
Benefit payments	(1,075)	(1,081)	(1,410)	(1,743)
Net Change in Total OPEB Liability	<u>20,924</u>	<u>(4,829)</u>	<u>27,832</u>	<u>27,821</u>
Beginning total OPEB liability	<u>126,987</u>	<u>147,911</u>	<u>143,082</u>	<u>170,914</u>
Ending Total OPEB Liability	<u>\$ 147,911</u>	<u>\$ 143,082</u>	<u>\$ 170,914</u>	<u>\$ 198,735</u>
Covered Payroll	\$ 2,687,570	\$ 2,701,354	\$ 2,820,650	\$ 3,485,982
Total OPEB Liability as a Percentage of Covered Payroll	5.50%	5.30%	6.06%	5.70%

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

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly 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 January, 13 months later.

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.5%
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%*
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, 2021.

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

There were no benefit changes during the year.

Measurement	
Year*	
2021	
\$	18,412
	4,119
	(19,969)
	5,819
	(4,017)
	<u>4,364</u>
	<u>198,735</u>
\$	<u>203,099</u>
\$	3,347,671
	6.07%

CITY OF JACINTO CITY, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTH PLAN
For the Year Ended September 30, 2022

	Measurement Year*			
	2018	2019	2020	2021
Total OPEB Liability				
Service cost	\$ 6,774	\$ 6,286	\$ 8,649	\$ 22,262
Interest (on the total pension liability)	28,122	30,337	25,666	28,239
Difference between expected and actual experience	-	-	75,076	-
Changes of assumptions	(67,690)	216,737	218,918	1,107
Benefit payments	(10,990)	(14,776)	(16,755)	(12,766)
Net Change in Total OPEB Liability	<u>(43,784)</u>	<u>238,584</u>	<u>311,554</u>	<u>38,842</u>
Beginning total OPEB liability	<u>777,827</u>	<u>734,043</u>	<u>972,627</u>	<u>1,284,181</u>
Ending Total OPEB Liability	<u>\$ 734,043</u>	<u>\$ 972,627</u>	<u>\$ 1,284,181</u>	<u>\$ 1,323,023</u>
Covered Payroll	\$ 2,669,363	\$ 2,749,443	\$ 1,904,674	\$ 2,813,276
Total OPEB Liability as a Percentage of Covered Payroll	27.50%	35.38%	67.42%	47.03%

* Only five years of information is currently available. The City will continue to build this schedule over the next five-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 2.26% to 4.02% to conform with the discount selection requirements of GASB 75.

**Measurement
Year***
2022

\$ 23,776
29,722
(26,125)
(311,665)
(15,721)
(300,013)

1,323,023

\$ 1,023,010

\$ 2,585,460

39.57%

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SCHEDULE

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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, 2022

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Ad valorem taxes	\$ 484,100	\$ 474,292	\$ (9,808)
Investment income	-	1,460	1,460
Other revenue	-	8,745	8,745
Total Revenues	484,100	484,497	397
<u>Expenditures</u>			
Principal	470,000	470,000	-
Interest and fiscal charges	14,400	14,100	300
Total Expenditures	484,400	484,100	300
Excess (Deficiency) of Revenues Over (Under) Expenditures	(300)	397	697
<u>Other Financing Sources (Uses)</u>			
Transfers (out)	-	(250,000)	(250,000) *
Total Other Financing (Uses)	-	(250,000)	(250,000)
Net Change in Fund Balance	\$ (300)	(249,603)	\$ (249,303)
Beginning fund balance		768,328	
Ending Fund Balance		\$ 518,725	

Notes to 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.

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