

ANNUAL FINANCIAL REPORT

CITY OF ABERNATHY, TEXAS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

CITY OF ABERNATHY  
Abernathy, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2020

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CITY OF ABERNATHY  
Abernathy, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2020

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*INTRODUCTORY SECTION*

CITY OF ABERNATHY  
Abernathy, Texas

September 30, 2020

CITY COUNCIL

Lindsey Webb

Mayor

Ron Johnson

Mayor Pro-tem

Bilinda Prater

Councilmember

Matt Riley

Councilmember

Jared Shannon

Councilmember

Gary Stone

Councilmember

*FINANCIAL SECTION*

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## Independent Auditors' Report on Financial Statements

Honorable Mayor and City Council  
City of Abernathy, Texas  
P.O. Box 310  
Abernathy, Texas 79311

### **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 aggregate remaining fund information of the City of Abernathy, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

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



**Other Matters**

*Required Supplementary Information*

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

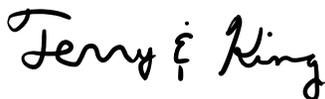
*Other Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2021, on our consideration of the City of Abernathy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Abernathy's internal control over financial reporting and compliance.

Respectfully submitted,



Terry & King, CPAs  
Lubbock, Texas  
March 5, 2021

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

Our discussion and analysis of the City of Abernathy's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2020. Please read this in conjunction with the City's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The City's net position increased as a result of this year's operations. While net position of our business-type activities increased by \$88,293 or approximately 3%, net position of our governmental activities increased by \$392,836 or 10%.
- During the year, the City had expenses that were \$176,322 less than the \$1,773,018 generated in tax and other revenues for governmental programs, prior to transfers. This compares to the prior year when expenses were more than revenues by \$173,037 prior to transfers.
- In the City's business type activities, charges for services increased \$59,721 to \$1,061,359 (or 6%) while expenses decreased \$25,450 to \$771,571 (or 3%).
- Total cost of all of the City's programs was \$2,368,267, a decrease of \$98,797.
- The General Fund reported a surplus this year of \$113,405 after receiving transfers from the Water and Sewer fund of \$216,514.
- The resources available for appropriation were \$109,126 more than budgeted for the General Fund. Expenditures were less than the budgeted amounts for an overall favorable variance in spending of \$58,419.

### **USING THIS ANNUAL REPORT**

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

funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

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

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

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

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

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

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

Our analysis of the City’s major funds begins on page 12. The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. At times a city council may establish other funds to help it control and manage money for particular purposes, such as special projects or to show that it is meeting legal responsibilities for using certain Federal or State grants. Currently the City’s only governmental fund is the General Fund, although in the past it has had funds established for grants. The City’s two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

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

## THE CITY AS A WHOLE

The City’s combined net position changed from a year ago—*increasing* from \$7,344,705 to \$7,825,834. Our following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City’s government and business-type activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$7,825,834 at September 30, 2020. (See Table A-1).

Table A-1  
City of Abernathy's Net Position

	Governmental Activities			Business-type Activities			Total		
	2020	2019	Percentage Change	2020	2019	Percentage Change	2020	2019	Percentage Change
<b>Current assets:</b>									
Cash and Investments	984,904	846,698	16%	1,204,921	1,128,582	7%	2,189,825	1,975,280	11%
Accounts Receivable, net	34,222	35,380	-3%	140,767	121,907	15%	174,989	157,287	11%
Taxes Receivable, net	22,328	25,105	-11%	-	-	0%	22,328	25,105	-11%
Due from Other Governments	4,274	1,074	298%	-	-	0%	4,274	1,074	298%
Interfund Balances	-	-	0%	-	-	0%	-	-	0%
Capital Credits	-	-	0%	9,714	9,714	0%	9,714	9,714	0%
Total current assets:	1,045,728	908,257	15%	1,355,402	1,260,203	8%	2,401,130	2,168,460	11%
<b>Noncurrent assets:</b>									
Land	216,237	216,237	0%	460,850	460,850	0%	677,087	677,087	0%
Construction in Progress	-	28,379	-100%	-	-	0%	-	28,379	-100%
Infrastructure	3,062,183	2,614,363	17%	-	-	0%	3,062,183	2,614,363	17%
Less accumulated depreciation, infrastructure	(1,056,194)	(955,518)	11%	-	-	0%	(1,056,194)	(955,518)	11%
Buildings	1,014,949	1,014,949	0%	332,405	332,405	0%	1,347,354	1,347,354	0%
Less accumulated depreciation, buildings	(401,750)	(367,821)	9%	(135,247)	(126,978)	7%	(536,997)	(494,799)	9%
Water System	-	-	0%	3,741,788	3,741,787	0%	3,741,788	3,741,787	0%
Less accumulated depreciation, water system	-	-	0%	(1,585,403)	(1,489,583)	6%	(1,585,403)	(1,489,583)	6%
Sewer System	-	-	0%	1,858,379	1,806,289	3%	1,858,379	1,806,289	3%
Less accumulated depreciation, sewer system	-	-	0%	(1,302,927)	(1,272,847)	2%	(1,302,927)	(1,272,847)	2%
Vehicles	360,063	279,098	29%	437,574	437,574	0%	797,637	716,672	11%
Less accumulated depreciation, vehicles	(255,560)	(225,299)	13%	(414,253)	(397,181)	4%	(669,813)	(622,480)	8%
Furniture & Equipment	1,735,889	1,710,915	1%	-	-	0%	1,735,889	1,710,915	1%
Less accumulated depreciation, furniture & equipment	(1,316,408)	(1,229,672)	7%	-	-	0%	(1,316,408)	(1,229,672)	7%
Total noncurrent assets	3,359,409	3,085,631	9%	3,393,166	3,492,316	-3%	6,752,575	6,577,947	3%
Total Assets	4,405,137	3,993,888	10%	4,748,568	4,752,519	0%	9,153,705	8,746,407	5%
Deferred Outflows of Resources:	19,210	60,732	-68%	9,701	30,986	-69%	28,911	91,718	-68%
<b>Current liabilities:</b>									
Accounts Payable	50,407	23,564	114%	9,391	12,490	-25%	59,798	36,054	66%
Accrued Interest	-	-	0%	3,682	3,997	-8%	3,682	3,997	-8%
Total current liabilities	50,407	23,564	114%	13,073	16,487	-21%	63,480	40,051	58%
<b>Noncurrent Liabilities:</b>									
Customer Deposits	5,000	5,000	0%	81,328	78,044	4%	86,328	83,044	4%
Net Pension Liability	44,616	119,005	-63%	20,379	58,222	-65%	64,995	177,227	-63%
Net OPEB Liability	27,450	28,645	-4%	12,094	12,703	-5%	39,544	41,348	-4%
Due within one year	-	-	0%	90,000	88,000	2%	90,000	88,000	2%
Due in more than one year	-	-	0%	940,000	1,030,000	-9%	940,000	1,030,000	-9%
Total noncurrent liabilities	77,066	152,650	-50%	1,143,801	1,266,969	-10%	1,220,867	1,419,619	-14%
Deferred Inflows of Resources:	49,180	23,548	109%	23,255	10,202	128%	72,435	33,750	115%
<b>Net Position:</b>									
Net investment in capital assets	3,359,409	3,085,631	9%	2,363,166	2,374,316	0%	5,722,575	5,459,947	5%
Restricted - Debt Service	-	-	0%	280,359	278,743	1%	280,359	278,743	1%
Unrestricted	888,285	769,227	15%	934,615	836,788	12%	1,822,900	1,606,015	14%
Total Net Position	4,247,694	3,854,858	10%	3,578,140	3,489,847	3%	7,825,834	7,344,705	7%

Net position of the City's governmental activities increased 10% (\$4,247,694 compared to \$3,854,858). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from \$769,227 at September 30, 2019 to \$888,285 at the end of this year. Net position of the City's business-type activities increased by 3% from \$3,489,847 to \$3,578,140.

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

	Governmental Activities			Business-type Activities			Total		
	2020	2019	Percentage Change	2020	2019	Percentage Change	2020	2019	Percentage Change
<b>Program Revenues:</b>									
Charges for Services	431,960	401,812	8%	1,061,359	1,001,638	6%	1,493,319	1,403,450	6%
Grants & Contributions	321,421	110,220	192%	-	-	0%	321,421	110,220	192%
<b>General Revenues:</b>									
Property Taxes	630,947	600,694	5%	-	-	0%	630,947	600,694	5%
Nonproperty Taxes	360,048	336,591	7%	-	-	0%	360,048	336,591	7%
Investment Earnings	10,435	10,796	-3%	15,019	14,906	1%	25,454	25,702	-1%
Licenses and Permits	14,908	10,120	47%	-	-	0%	14,908	10,120	47%
Miscellaneous	3,299	26,773	-88%	-	-	#DIV/0!	3,299	26,773	-88%
	<u>1,773,018</u>	<u>1,497,006</u>	<u>18%</u>	<u>1,076,378</u>	<u>1,016,544</u>	<u>6%</u>	<u>2,849,396</u>	<u>2,513,550</u>	<u>13%</u>
<b>Expenses:</b>									
City Hall	153,101	135,142	13%	-	-	0%	153,101	135,142	13%
Legislative	3,333	1,451	130%	-	-	0%	3,333	1,451	130%
Administrative	201,235	206,900	-3%	-	-	0%	201,235	206,900	-3%
Sanitation	182,453	204,857	-11%	-	-	0%	182,453	204,857	-11%
Streets	317,798	196,236	62%	-	-	0%	317,798	196,236	62%
Fire	59,670	90,840	-34%	-	-	0%	59,670	90,840	-34%
Police	403,212	412,866	-2%	-	-	0%	403,212	412,866	-2%
Library	47,448	21,793	118%	-	-	0%	47,448	21,793	118%
Ambulance	165,879	163,067	2%	-	-	0%	165,879	163,067	2%
Judicial	28,175	34,197	-18%	-	-	0%	28,175	34,197	-18%
Parks	34,392	202,694	-83%	-	-	0%	34,392	202,694	-83%
Water and Sewer	-	-	0%	771,571	797,021	-3%	771,571	797,021	-3%
	<u>1,596,696</u>	<u>1,670,043</u>	<u>-4%</u>	<u>771,571</u>	<u>797,021</u>	<u>-3%</u>	<u>2,368,267</u>	<u>2,467,064</u>	<u>-4%</u>
<b>Change in Net Position, Before Transfers</b>	176,322	(173,037)	-202%	304,807	219,523	39%	481,129	46,486	935%
<b>Transfers</b>	216,514	252,561	-14%	(216,514)	(252,561)	-14%	-	-	0%
<b>Change in Net Position</b>	392,836	79,524	394%	88,293	(33,038)	-367%	481,129	46,486	935%
<b>Beginning Net Position</b>	<u>3,854,858</u>	<u>3,775,334</u>	<u>2%</u>	<u>3,489,847</u>	<u>3,522,885</u>	<u>-1%</u>	<u>7,344,705</u>	<u>7,298,219</u>	<u>1%</u>
<b>Ending Net Position</b>	<u>4,247,694</u>	<u>3,854,858</u>	<u>10%</u>	<u>3,578,140</u>	<u>3,489,847</u>	<u>3%</u>	<u>7,825,834</u>	<u>7,344,705</u>	<u>7%</u>

The City's total revenues were \$2,849,396. A significant portion, 38%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (36%), non-property taxes (20%), charges for services (24%), grants and contributions (18%), and other (2%).

The total cost of all programs and services was \$2,368,267; 33% of these costs were for the business-type activities. Expenses for governmental activities consisted of costs for city hall (10%), administration (13%), sanitation (11%), streets (20%), fire department (4%), police (27%), ambulance (10%), and parks and library (5%).

### **Governmental Activities**

Revenue for the City's governmental activities increased by 18% (\$276,786) while total expenses increased 13% (\$211,110).

- Property tax rates remained the same at \$0.5900 per \$100. The ad valorem tax levy for the previous fiscal year was \$589,985, compared to \$616,843 for the current year. Total tax collections increased 5%, from \$586,762 in the prior year to \$616,843.
- The City received \$321,421 from 4 grants in the current fiscal year. A police department grant was received for the purchase of a vehicle in the amount of \$28,000. The City received \$15,000 for the purchase of a generator. \$29,964 was received from TDEM for Cares Act Coronavirus Relief Fund of which \$24,600 was passed through to the local school district. The City also received \$247,550 from a street improvement grant.
- The cost of all *governmental* activities this year was \$1,596,696 compared to \$1,670,043 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was only \$630,947 because some of the costs were paid by those who directly benefited from the programs (\$431,960) or by nonproperty taxes (\$360,048). Overall, the City's governmental program revenues, including intergovernmental aide and fees for services, increased in 2020 from \$1,497,006 to \$1,773,018.

### **Business-type Activities**

Revenues of the City's business-type activities (see table A-2) increased 6% (\$1,076,378 from \$1,076,378) and expenses *decreased* by 3%.

## **THE CITY'S FUNDS**

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a *combined* fund balance of \$967,993, which is an increase from the prior year's total of \$854,588. The following items effecting fund balance should be noted:

- Ad valorem tax revenues increased \$31,028 and non-property tax revenues increased \$23,457.
- Grant revenues increased \$245,584.
- The City's Governmental Funds expended \$525,380 for capital assets in the current fiscal period while in the previous fiscal year, \$250,111 was expended for capital assets.

### **General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the City's budget several times. Even with these adjustments, actual revenues were \$109,126 more than final budget amounts and expenditures were \$58,419 below the final budget amounts for the General Fund.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2019, the City had \$12,642,847 invested in a broad range of capital assets, including police, ambulance and fire equipment, buildings, furniture and equipment, streets, and water and sewer facilities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$262,964 over last year.

This year's major additions amounted to \$262,964:

- \$419,441 – Street improvements – CDBG Grant
- \$80,965 – 2 Police vehicles
- \$24,974 – Generator
- \$52,089 – Sewer system equipment

Table A-3  
Fixed Assets

Governmental <u>Activities:</u>	Balance <u>10-1-19</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-20</u>
Land	\$ 216,237	-	-	216,237
Buildings & Improvements	1,014,949	-	-	1,014,949
Construction in Progress	28,379	-	(28,379)	-
City Park	651,262	-	-	651,262
Street Paving	2,614,363	419,441	28,379	3,062,183
Vehicles	279,098	80,965	-	360,063
Furniture & Equipment	1,059,654	24,974	-	1,084,627
Accumulated Depreciation	<u>(2,778,310)</u>	<u>(251,603)</u>	<u>-</u>	<u>(3,029,913)</u>
Net Capital Assets	<u>\$ 3,085,632</u>	<u>\$ 273,777</u>	<u>\$ -</u>	<u>\$ 3,359,409</u>

Business-Type <u>Activities:</u>	Balance <u>10-1-19</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-20</u>
Land	\$ 460,850	-	-	460,850
Construction in Progress	-	-	-	-
Buildings & Improvements	332,405	-	-	332,405
Vehicles	437,574	-	-	437,574
Sewer System	1,806,289	52,090	-	1,858,379
Water System	3,741,788	-	-	3,741,788
Accumulated Depreciation	<u>(3,286,590)</u>	<u>(151,240)</u>	<u>-</u>	<u>(3,437,830)</u>
Net Capital Assets	<u>\$ 3,492,316</u>	<u>\$ (99,150)</u>	<u>\$ -</u>	<u>\$ 3,393,166</u>

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

## Debt

A municipal government can finance activities such as capital improvements and acquisitions through general tax bonds or revenue bonds. Additionally, a government may purchase items through the use of capital leases. Short-term financing is available in the form of time warrants with a financial institution.

At the end of 2020, the City had \$1,030,000 of total debt outstanding. \$90,000 of this is due within one year. The City has Certificates of Obligation outstanding of \$1,030,000. More detailed information about the City's long-term debt activity is presented in the notes to the financial statements.

<u>Business-Type Activities:</u>	<u>Balance 10-01-19</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance 09-30-20</u>	<u>Due Within One Year</u>
Certificate of Obligation	<u>\$1,118,000</u>	<u>-</u>	<u>\$ 88,000</u>	<u>\$ 1,030,000</u>	<u>\$ 90,000</u>
Total	<u>\$1,118,000</u>	<u>\$ -</u>	<u>\$ 88,000</u>	<u>\$ 1,030,000</u>	<u>\$ 90,000</u>

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

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

The City's elected officials considered many factors when setting the fiscal year 2021 budget, tax rates, and fees. Factors considered include the current economy, property tax values and the needs of the City in the coming year.

The property tax rate will remain the same at \$0.5900/\$100 valuation. The Council has adopted budgets and set fees accordingly.

It is planned that the City's Net Position at the end of the fiscal year ending September 30, 2021 will remain basically the same with perhaps a slight increase.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrator at the City's office located at 811 Avenue D, Abernathy, Texas 79311.

*BASIC FINANCIAL STATEMENT*

CITY OF ABERNATHY  
Abernathy, Texas

STATEMENT OF NET POSITION  
September 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and Investments	\$ 984,904	\$ 925,500	\$ 1,910,404
Cash and Investments - Restricted	-	279,421	279,421
Accounts Receivable, net	34,222	140,767	174,989
Taxes Receivable, Net	22,328	-	22,328
Due from Other Governments	4,274	-	4,274
Capital Credits	-	9,714	9,714
<b>Capital Assets:</b>			
Land	216,237	460,850	677,087
Construction in Progress	-	-	-
Buildings & Improvements, net	613,199	197,158	810,357
Infrastructure	2,005,989	-	2,005,989
Utility Systems & Equipment, net	-	2,711,837	2,711,837
Furniture & Equipment, net	523,984	23,321	547,305
<b>TOTAL ASSETS</b>	<b>\$ 4,405,137</b>	<b>\$ 4,748,568</b>	<b>\$ 9,153,705</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows - Pension	13,340	6,802	20,142
Deferred Outflows - OPEB	5,870	2,899	8,769
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>19,210</b>	<b>9,701</b>	<b>28,911</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 50,407	\$ 9,391	\$ 59,798
Accrued Interest	-	3,682	3,682
<b>Noncurrent Liabilities:</b>			
Customer Deposits	5,000	81,328	86,328
Due within one year	-	90,000	90,000
Due in more than one year	-	940,000	940,000
Net Pension Liability	44,616	20,379	64,995
Total OPEB Liability	27,450	12,094	39,544
<b>Total Liabilities</b>	<b>\$ 127,473</b>	<b>\$ 1,156,874</b>	<b>\$ 1,284,347</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Pension	40,039	18,609	58,648
Deferred Inflows - OPEB	9,141	4,646	13,787
<b>Total Deferred Inflows of Resources</b>	<b>49,180</b>	<b>23,255</b>	<b>72,435</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 3,359,409	\$ 2,363,166	\$ 5,722,575
<b>Restricted for:</b>			
Debt Service	-	280,359	280,359
Unrestricted	888,285	934,615	1,822,900
<b>Total Net Position</b>	<b>\$ 4,247,694</b>	<b>\$ 3,578,140</b>	<b>\$ 7,825,834</b>

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY  
Abernathy, Texas

STATEMENT OF ACTIVITIES  
Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Government Activities:</b>							
City Hall	\$ 153,101	\$ 62,745	\$ 29,964	\$ 15,000	\$ (45,392)	-	(45,392)
Legislative	3,333	-	-	-	(3,333)	-	(3,333)
Administrative	201,235	-	-	-	(201,235)	-	(201,235)
Sanitation	182,453	309,152	-	-	126,699	-	126,699
Streets	317,798	15,669	-	247,550	(54,579)	-	(54,579)
Fire	59,670	24,491	-	-	(35,179)	-	(35,179)
Police	403,212	-	907	28,000	(374,305)	-	(374,305)
Library	47,448	8,013	-	-	(39,435)	-	(39,435)
Ambulance	165,879	-	-	-	(165,879)	-	(165,879)
Judicial	28,175	11,890	-	-	(16,285)	-	(16,285)
Parks	34,392	-	-	-	(34,392)	-	(34,392)
<b>Total Government Activities</b>	<b>\$ 1,596,696</b>	<b>\$ 431,960</b>	<b>\$ 30,871</b>	<b>\$ 290,550</b>	<b>\$ (843,315)</b>	<b>\$ -</b>	<b>\$ (843,315)</b>
<b>Business-type Activities</b>							
Water and Sewer	\$ 771,571	\$ 1,061,359	\$ -	\$ -	\$ -	\$ 289,788	\$ 289,788
<b>Total Business-Type Activities</b>	<b>\$ 771,571</b>	<b>\$ 1,061,359</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 289,788</b>	<b>\$ 289,788</b>
<b>Total Primary Government</b>	<b>\$ 2,368,267</b>	<b>\$ 1,493,319</b>	<b>\$ 30,871</b>	<b>\$ 290,550</b>	<b>\$ (843,315)</b>	<b>\$ 289,788</b>	<b>\$ (553,527)</b>
<b>General Revenues</b>							
Property Taxes, Levied for General Purpose					630,947	-	630,947
Nonproperty Taxes					360,048	-	360,048
Investment Earnings					10,435	15,019	25,454
Licenses and Permits					14,908	-	14,908
Miscellaneous					3,299	-	3,299
Gain on Sale of Capital Assets					-	-	-
Transfers					216,514	(216,514)	-
<b>Total General Revenue</b>					<b>1,236,151</b>	<b>(201,495)</b>	<b>1,034,656</b>
<b>Change in Net Position</b>					<b>392,836</b>	<b>88,293</b>	<b>481,129</b>
<b>Net Position -- Beginning</b>					<b>3,854,858</b>	<b>3,489,847</b>	<b>7,344,705</b>
<b>Net Position -- Ending</b>					<b>\$ 4,247,694</b>	<b>\$ 3,578,140</b>	<b>\$ 7,825,834</b>

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY  
Abernathy, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS  
September 30, 2020

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash & Cash Equivalents	\$ 984,904	\$ 984,904
Property Taxes Receivable, net	22,328	22,328
Accounts Receivable	34,222	34,222
Due from Other Governments	<u>4,274</u>	<u>4,274</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,045,728</u></b>	<b><u>\$ 1,045,728</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 50,407	\$ 50,407
Customer Deposits	<u>5,000</u>	<u>5,000</u>
<b><u>Total Liabilities</u></b>	<b><u>55,407</u></b>	<b><u>55,407</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenues - Property Taxes	<u>22,328</u>	<u>22,328</u>
<b><u>Total Deferred Inflows of Resources</u></b>	<b><u>22,328</u></b>	<b><u>22,328</u></b>
<b>FUND BALANCES</b>		
Unassigned	<u>967,993</u>	<u>967,993</u>
<b><u>Total Fund Equities</u></b>	<b><u>967,993</u></b>	<b><u>967,993</u></b>
<b><u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u></b>	<b><u>\$ 1,045,728</u></b>	<b><u>\$ 1,045,728</u></b>

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY  
Abernathy, Texas

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

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 967,993
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds	22,328
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,359,409
Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension asset/liability required by GASB 68 in the amount of \$44,616, a deferred resource outflow related to Pensions in the amount of \$13,340, and a deferred resource inflow in the amount of \$40,039. This resulted in a decrease in net position by \$71,315	(71,315)
Included in the items related to noncurrent liabilities is the recognition of the City's proportionate share of the total OPEB liability required by GASB 75 in the amount of \$27,450, a deferred resource outflow related to OPEB in the amount of \$5,870, and a deferred resource inflow in the amount of \$9,141. This resulted in a decrease in net position by \$30,721.	<u>(30,721)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 4,247,694</u>

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY  
Abernathy, Texas

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

For the Year Ended September 30, 2020

	General Fund	Total Governmental Funds
REVENUES:		
Property Taxes (Including Penalty & Interest)	\$ 633,725	\$ 633,725
Sales Taxes	232,246	232,246
Franchise Taxes	127,802	127,802
Licenses and Permits	14,908	14,908
Leases and Rents	62,745	62,745
Court Fees	11,890	11,890
Fire	24,491	24,491
Mosquito Spraying	15,769	15,769
Interest Income	10,435	10,435
Sanitation	293,383	293,383
Library	8,013	8,013
Grant Revenues	321,421	321,421
Paving Liens	15,668	15,668
Miscellaneous	3,299	3,299
<u>Total Revenues</u>	1,775,795	1,775,795
EXPENDITURES		
Current		
City Hall	143,603	143,603
Legislative	3,333	3,333
Administrative	199,850	199,850
Sanitation Department	178,705	178,705
Streets	626,779	626,779
Fire Department	25,349	25,349
Police Department	458,906	458,906
Library	47,947	47,947
Ambulance	162,834	162,834
Judicial	28,175	28,175
Parks	3,423	3,423
Principal on Long-Term Debt	-	-
Interest on Long-Term Debt	-	-
Capital Outlay	-	-
<u>Total Expenditures</u>	1,878,904	1,878,904
Excess of Revenues Over (Under) Expenditures	(103,109)	(103,109)
OTHER FINANCING SOURCES (USES)		
Transfers In	216,514	216,514
Transfers Out	-	-
Sale of Capital Assets	-	-
<u>Total Other Sources (Uses)</u>	216,514	216,514
Net Change in Fund Balances	113,405	113,405
Fund Balance--Beginning of Year	854,588	854,588
<u>Fund Balance--End of Year</u>	\$ 967,993	\$ 967,993

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY  
Abernathy, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2020

Net Change in Fund Balances -- Total Governmental Funds	\$ 113,405
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.	525,380
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.	(251,603)
Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts have changed during the current period.	(2,776)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused the change in the ending net position to increase in the amount of \$13,340. Contributions made before the measurement date and during the 2020 fiscal year were also expended in the 2020 fiscal year and recorded as an increase in net pension expense for the District. This caused a decrease in the change in net position totaling \$13,767. The District's proportionate share of the TMRS pension expense on the plan as a whole had to be recorded as an expense. The net pension expense increased the change in net position \$9,470. The result of these amounts is to increase the change in net position by \$9,043.	9,043
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused the change in the ending net position to increase in the amount of \$935. Contributions made before the measurement date and during the 2020 fiscal year were also expended in the 2020 fiscal year and recorded as an increase in net OPEB expense for the City. This caused a decrease in the change in net position of \$999. The City's proportionate share of the OPEB expense on the plan as a whole had to be recorded as an expense. The net OPEB expense decreased the change in net position \$549. The result of these amounts is to decrease the change in net position by \$613.	(613)
	<u>\$ 392,836</u>

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY  
Abernathy, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
September 30, 2020

	<u>Proprietary Funds</u>
	<u>Water and Sewer</u>
<b>ASSETS</b>	
<u>Current Assets:</u>	
Cash and Investments	\$ 925,500
Cash - Restricted	279,421
Accounts Receivable	210,592
Allowance for Uncollectible	(69,825)
<u>Total Current Assets</u>	<u>\$ 1,345,688</u>
<u>Noncurrent Assets:</u>	
Capital Credits	\$ 9,714
Land	460,850
Vehicles & Equipment (net of depreciation)	2,932,316
<u>Total Fixed Assets</u>	<u>\$ 3,402,880</u>
<u>TOTAL ASSETS</u>	<u>\$ 4,748,568</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Outflows - Pension	\$ 6,802
Deferred Outflows - OPEB	2,899
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 9,701</u>
<b>LIABILITIES</b>	
<u>Current Liabilities</u>	
Accounts Payable	\$ 9,391
Accrued Interest	3,682
<u>Noncurrent Liabilities</u>	
Customer Deposits	81,328
Due within one year	90,000
Due in more than one year	940,000
Net Pension Liability	20,379
Total OPEB Liability	12,094
<u>Total Liabilities</u>	<u>1,156,874</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred Inflows - Pension	\$ 18,609
Deferred Inflows - OPEB	4,646
<u>Total Deferred Inflows of Resources</u>	<u>23,255</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,363,166
Restricted for:	
Debt Service	280,359
Unrestricted	934,615
<u>Total Net Position</u>	<u>\$ 3,578,140</u>

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY  
Abernathy, Texas

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

For the Year Ended September 30, 2020

	<u>Proprietary Funds</u>
	<u>Water and Sewer</u>
<u>Operating Revenues</u>	
Water Revenue	\$ 803,525
Sewer Revenue	188,185
Water/Sewer Permits	4,977
Reconnect and Late Fees	20,337
Rental and Other Income	44,335
<u>Total Operating Revenues</u>	<u>1,061,359</u>
<u>Operating Expenses</u>	
Salaries	233,121
Payroll Taxes	17,744
Retirement Costs	5,537
Supplies	46,921
Repairs & Maintenance	84,266
Utilities & Fuel	87,706
Insurance	85,177
Professional Fees	10,812
Miscellaneous	18,645
Depreciation	151,240
<u>Total Operating Expenses</u>	<u>741,169</u>
<u>Operating Income (Loss)</u>	320,190
<u>Non-Operating Revenues (Expenses)</u>	
Interest Income	15,019
Interest Expense	(30,402)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(15,383)</u>
<u>Income Before Contributions and Transfers</u>	304,807
<u>Contributions and Transfers</u>	
Capital Contribution	-
Transfers In/(Out)	(216,514)
<u>Total Contributions and Transfers</u>	<u>(216,514)</u>
Change in Net Position	88,293
NET POSITION	
Net Position, Beginning of Year	<u>3,489,847</u>
Net Position, End of Year	<u>3,578,140</u>

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY  
Abernathy, Texas

STATEMENT OF CASH FLOWS--  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2020

	<u>Proprietary Funds</u>
	<u>Water and Sewer</u>
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers	\$ 1,045,783
Payments to Suppliers	(336,626)
Payments to Employees	(260,516)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>448,641</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Payments on Interfund Balances	-
Transfer to Other Fund	(216,514)
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>(216,514)</u>
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>	
Acquisition of Fixed Assets	(52,090)
Capital Contributions	-
Payments on Long-Term Debt	(118,717)
<u>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</u>	<u>(170,807)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned on Investments	15,019
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>15,019</u>
Net Increase (Decrease) in Cash & Cash Equivalents	76,339
Cash & Cash Equivalents--Beginning of Year	<u>1,128,582</u>
<u>Cash &amp; Cash Equivalents--End of Year</u>	<u>1,204,921</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Operating Income (Loss)	320,190
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:	
Depreciation	151,240
(Increase) Decrease in Receivables	(18,860)
(Increase) Decrease in Deferred Outflows	21,285
Increase (Decrease) in Liabilities	(41,551)
Increase (Decrease) in Deferred Inflows	16,337
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>448,641</u>

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS  
September 30, 2020

Note A: Summary of Significant Accounting Policies

The City of Abernathy, Texas was incorporated under the provisions of the State of Texas. The City operates under a Council form of government and provides the following services as authorized by its charter: police and fire protection, sanitation and recreation, public works, and general administrative services. In addition, the City owns and operates a water and sewer system.

The basic financial statements of the City of Abernathy have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants (AICPA), and by the Financial Accounting Standards Board (FASB), when applicable. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1. The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Abernathy. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Abernathy.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 2  
September 30, 2020

Note A: Summary of Significant Accounting Policies (Continued)

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

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

The City reports the following major governmental funds:

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

In addition, the City reports the following fund types:

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

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 3  
September 30, 2020

Note A: Summary of Significant Accounting Policies--Continued

b. Measurement Focus, Basis of Accounting

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

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

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus utilizing the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Proprietary funds distinguish operating revenues and expenses from non-operating 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 City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 4  
September 30, 2020

Note A: Summary of Significant Accounting Policies (continued)

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed, but reserves the right to selectively spend Unassigned/Unrestricted resources first to defer the use of these other classified funds.

3. Financial Statement Amounts

a. Deposits and Investments

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

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

Cash deposits and investments are reported at carrying amount (cost), which equals fair value.

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 5  
September 30, 2020

Note A: Summary of Significant Accounting Policies (continued)

b. Property Taxes

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

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. As of September 30, 2020, the amount deemed uncollectible by this estimate was \$40,328. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

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

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

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

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 6  
September 30, 2020

Note A: Summary of Significant Accounting Policies (continued)

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of the period end.

f. Deferred Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has one type of item which arises under the modified accrual basis of accounting and one type of item that qualifies under the accrual basis of accounting. Accordingly, unavailable ad valorem tax revenue is only reported in the governmental funds balance sheet; and deferred inflows related to pensions and OPEB is only reported in the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 7  
September 30, 2020

Note A: Summary of Significant Accounting Policies (continued)

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management’s estimates. Actual results could differ from those estimates.

i. Pensions

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

j. Other Post Employment Benefits

The City provides a supplemental death benefit for retirees that is considered an other post-employment benefit (OPEB) covered by GASB No. 75. This plan benefit is administered by TMRS. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. There are no investments.

Note B: Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

Note C: Deposits and Investments

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

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 8  
September 30, 2020

Note C: Deposits and Investments (continued)

Cash Deposits

At September 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing saving accounts included in temporary investments) was \$2,189,825 and the bank balance was \$2,241,208. The City's cash deposits at September 30, 2020 and throughout the year were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize and investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

The City's investments at September 30, 2020 included certificates of deposit (\$1,448,523).

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 9  
September 30, 2020

Note C: Deposits and Investments (continued)

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Note D: Capital Assets

Capital asset activity for the period ended September 30, 2020, was as follows.

<b>Governmental Activities:</b>	Balance <u>10-1-19</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-20</u>
Land	\$ 216,237	-	-	\$ 216,237
Buildings & Improvements	1,014,949	-	-	1,014,949
Construction in Progress	28,379	-	(28,379)	-
City Park	651,262	-	-	651,262
Street Paving	2,614,363	419,441	28,379	3,062,183
Vehicles	279,098	80,965	-	360,063
Furniture & Equipment	<u>1,059,654</u>	<u>24,974</u>	-	<u>1,084,627</u>
Total Capital Assets	<u>\$5,863,942</u>	<u>\$ 525,380</u>	<u>\$ -</u>	<u>\$ 6,389,322</u>

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10  
September 30, 2020

Note D: Capital Assets (continued)

	<u>Balance</u> <u>10-1-19</u>	<u>Additions</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>9-30-20</u>
<u>Less Accumulated</u> <u>Depreciation:</u>				
Buildings & Improvements	\$ 367,821	\$ 33,929	-	\$ 401,750
City Park	368,627	32,243	-	400,870
Street Paving	955,518	100,676	-	1,056,194
Vehicles	225,299	30,261	-	255,560
Furniture & Equipment	<u>861,045</u>	<u>54,494</u>	<u>-</u>	<u>915,539</u>
Total Accumulated Depreciation	<u>\$2,778,310</u>	<u>\$ 251,603</u>	<u>\$ -</u>	<u>\$ 3,029,913</u>
Net Capital Assets	<u>\$3,085,632</u>	<u>\$ 273,777</u>	<u>\$ -</u>	<u>\$ 3,359,409</u>

<b>Business-Type</b> <b>Activities: Water &amp; Sewer</b>	<u>Balance</u> <u>10-1-19</u>	<u>Additions</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>9-30-20</u>
Land	\$ 460,850	-	-	\$ 460,850
Construction in Progress	-	-	-	-
Buildings& Improvements	332,405	-	-	332,405
Water System	3,741,788	-	-	3,741,788
Sewer System	1,806,289	52,090	-	1,858,379
Vehicles	<u>437,574</u>	<u>-</u>	<u>-</u>	<u>437,574</u>
Total Capital Assets	<u>\$ 6,778,906</u>	<u>\$ 52,090</u>	<u>\$ -</u>	<u>\$ 6,830,996</u>

<u>Less Accumulated</u> <u>Depreciation:</u>	<u>Balance</u> <u>10-1-19</u>	<u>Additions</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>9-30-20</u>
Buildings& Improvements	\$ 126,978	\$ 8,269	-	\$ 135,247
Water System	1,489,584	95,819	-	1,585,403
Sewer System	1,272,847	30,080	-	1,302,927
Vehicles	<u>397,181</u>	<u>17,072</u>	<u>-</u>	<u>414,253</u>
Total Accumulated Depreciation	<u>\$ 3,286,590</u>	<u>\$ 151,240</u>	<u>\$ -</u>	<u>\$ 3,437,830</u>
Net Capital Assets	<u>\$ 3,492,316</u>	<u>\$ (99,150)</u>	<u>\$ -</u>	<u>\$ 3,393,166</u>

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 11  
September 30, 2020

Note D: Capital Assets (continued)

Depreciation was charged to functions as follows:

City Hall	\$ 34,471
Administration	3,480
Sanitation	3,749
Streets	110,460
Fire	34,321
Police	29,833
Ambulance	3,046
Parks	32,243
Water & Sewer	<u>151,240</u>
	<u>\$ 402,843</u>

Note E: Long-Term Obligations

Short term loans are accounted for through the applicable fund. General Fund proceeds from loans (except those issued and retired during the current year) are shown in the financial statements as Other Resources and principal payments as Other Uses. Enterprise fund loans are shown in the appropriate fund.

On January 6, 2015, the City issued \$1,445,000 of Combination Tax and Revenue Certificates of Obligation, Series 2015 for the construction of city water lines. The interest rate is 2.86% and is payable from August 15, 2015 through February 15, 2030. Interest expense in the current period was \$30,402.

Changes in long-term obligations for the year ended September 30, 2020 are as follows:

<b><u>Governmental Funds:</u></b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Ending Balance</u>	<u>Within One Year</u>
Net Pension Liability	\$ 119,005	\$ -	\$ 74,389	\$ 44,616	\$ -
Total OPEB Liability	<u>28,645</u>	<u>-</u>	<u>1,195</u>	<u>27,450</u>	<u>-</u>
<b><u>Total Governmental Funds:</u></b>	<b><u>\$ 147,650</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 75,584</u></b>	<b><u>\$ 72,066</u></b>	<b><u>\$ -</u></b>
<b><u>Enterprise Funds:</u></b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Net Pension Liability	\$ 58,222	\$ -	\$ 37,843	\$ 20,379	\$ -
Total OPEB Liability	12,703	-	609	12,094	-
Certificates of Obligation- Series 2015	<u>1,118,000</u>	<u>-</u>	<u>88,000</u>	<u>1,030,000</u>	<u>90,000</u>
<b><u>Total Enterprise Funds:</u></b>	<b><u>\$ 1,188,925</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 126,452</u></b>	<b><u>\$ 1,062,473</u></b>	<b><u>\$ 90,000</u></b>

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 12  
September 30, 2020

Note E: Long-Term Debt (continued)

Debt service requirements on long-term debt at September 30, 2020 are as follows:

Year Ending September 30,	<u>Enterprise Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 90,000	\$ 28,171	\$ 118,171
2022	93,000	25,554	118,554
2023	96,000	22,851	118,851
2024	98,000	20,077	118,077
2025	101,000	17,232	118,232
2026-2030	<u>552,000</u>	<u>40,412</u>	<u>592,412</u>
Total	<u>\$ 1,030,000</u>	<u>\$ 154,297</u>	<u>\$ 1,184,297</u>

Note F: TMRS-Pension Plan

Plan Description

The City of Abernathy participates as one of 888 plans in the non-traditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8 Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tMrs.com](http://www.tMrs.com).

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

Benefits Provided

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

At retirement, the 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 ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 13  
September 30, 2020

Note F: TMRS-Pension Plan (continued)

	<u>Plan Year 2019</u>	<u>Plan Year 2018</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%	100%
Annuity Increase (to retirees)	30% of CPI	30% of CPI

*Employees covered by benefit terms*

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

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	35
Active employees	<u>17</u>
Total	58

Contributions

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

Employees for the City of Abernathy were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Abernathy were 4.01% and 3.85% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$26,733, and were equal to the required contributions.

Net Pension Liability

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

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14  
September 30, 2020

Note F: TMRS-Pension Plan (continued)

*Actuarial assumptions:*

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

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 actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 15  
September 30, 2020

Note F: TMRS-Pension Plan (continued)

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

*Discount Rate*

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

*Change in the Net Pension Liability*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/19	\$ 1,377,545	\$ 1,200,318	\$ 177,227
Changes for the year:			
Service cost	52,480		52,480
Interest	92,132		92,132
Change of benefit terms			
Difference between expected and actual experience	(7,805)		(7,805)
Changes of assumptions	(2,888)		(2,888)
Contributions - employer		27,545	(27,545)
Contributions - employee		34,346	(34,346)
Net investment income		185,341	(185,341)
Benefit payments, including refunds of employee contributions	(77,745)	(77,745)	-
Administrative expense		(1,049)	1,049
Other changes		(31)	31
Net changes	<u>56,174</u>	<u>168,407</u>	<u>(112,233)</u>
Balance at 12/31/19	<u>\$ 1,433,719</u>	<u>\$ 1,368,725</u>	<u>\$ 64,994</u>

CITY OF ABERNATHY  
 Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 16  
 September 30, 2020

Note F: TMRS-Pension Plan (continued)

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 248,225	\$ 64,994	\$ (86,780)

*Pension Plan Fiduciary Net Position*

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

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

For the year ended September 30, 2020, the city recognized pension expense of \$13,256.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 16,853
Changes in actuarial assumptions	\$ -	\$ 1,746
Difference between projected and actual investment earnings	\$ -	\$ 40,050
Contributions subsequent to the measure date December 31, 2019	\$ 20,142	\$ -
Total	\$ 20,142	\$ 58,649

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 17  
September 30, 2020

Note F: TMRS-Pension Plan (continued)

\$20,142 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:		
2020	\$	(28,110)
2021		(13,982)
2022		4,306
2023		(20,863)
2024		-
Thereafter		-
Total	\$	(58,649)

Note G: Supplemental Death Benefits Plan

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

The death benefit for active 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 retiree is considered an other postemployment benefit ("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).

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 18  
September 30, 2020

Note G: Supplemental Death Benefits Plan (continued)

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

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>17</u>
Total	24

4. Contributions

The City contributes to the SDBF monthly based on the covered payroll of employee members. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers.

As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

	<u>Contribution Rates</u>	
City	<u>2019</u>	<u>2020</u>
	0.29%	0.27%
<b>Current Fiscal Year Employer Contributions</b>	<b>\$ 1,889</b>	

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 19  
September 30, 2020

Note G: Supplemental Death Benefits Plan (continued)

5. Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

**Summary of Actuarial Methods and Assumptions**

Valuation Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount Rate*	2.75%*
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 20  
September 30, 2020

Note G: Supplemental Death Benefits Plan (continued)

6. Discount Rate

As of December 31, 2019, the discount rate used in the development of the Total OPEB Liability was 2.75% compared to 3.71% as of December 31, 2018. In accordance with GASB No. 75, paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. The projection of cash flows used to determine the discount rate assumed that contributions are made at the actuarially determined rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.71%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	\$ 48,908	\$ 39,545	\$ 32,528

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

At September 30, 2020, the City reported a liability of \$39,545 for total OPEB liability. The total OPEB liability was measured as of December 31, 2019 by an actuarial valuation as of that date.

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

As of December 31, 2019, the discount rate used in the development of the Total OPEB Liability was 2.75% compared to 3.71% as of December 31, 2018. Beginning with the December 31, 2019 actuarial valuation, mortality rates are based on the 2019 Municipal Retirees of Texas Mortality Tables. Prior to the December 31, 2019 actuarial valuation, mortality rates were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment.

For the year ended September 30, 2020, the City recognized OPEB expense of \$2,822.

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 21  
September 30, 2020

Note G: Supplemental Death Benefits Plan (continued)

*Change in the Total OPEB Liability*

	Total OPEB Liability (a)
Balance at 12/31/18	\$ 41,348
Changes for the year:	
Service cost	1,443
Interest	1,544
Change of benefit terms	
Difference between expected and actual experience	(10,965)
Changes of assumptions	7,068
Benefit payments, including refunds of employee contributions	(893)
Other changes	
Net changes	<u>(1,803)</u>
Balance at 12/31/19	<u>\$ 39,545</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ -	\$ 12,083
Changes in actuarial assumptions	\$ 7,356	\$ 1,704
Difference between projected and actual investment earnings	\$ -	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$ -	\$ -
Total as of Dec. 31, 2018 measurement date	<u>\$ 7,356</u>	<u>\$ 13,787</u>
Contributions paid to TRS subsequent to the measurement date	\$ 1,413	\$ -
Total as of fiscal year-end	<u>\$ 8,769</u>	<u>\$ 13,787</u>

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

<u>Year ended December 31:</u>	<u>OPEB Expense Amount</u>
2020	\$ (1,264)
2021	(1,264)
2022	(1,264)
2023	(1,568)
2024	(936)
Thereafter	(135)

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 22  
September 30, 2020

Note H: Interfund Transfers

Interfund transfers for the year ended September 30, 2020 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund:</u>		
Water and Sewer Fund	\$ 216,514	\$ -
Total General Fund	\$ 216,514	\$ -
<u>Water and Sewer Fund:</u>		
General Fund	-	\$ 216,514
Total Water and Sewer Fund	-	216,514
<u>Total</u>	<u>\$ 216,514</u>	<u>\$ 216,514</u>

The Water and Sewer Fund transferred \$216,514 to the General Fund in the normal course of business.

Note I: Interfund Balances

There were no interfund balances at September 30, 2020.

Note J: Commitments and Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Note K: Litigation

There was no reportable litigation pending or in progress against the City at September 30, 2020.

*REQUIRED SUPPLEMENTARY INFORMATION*

CITY OF ABERNATHY  
Abernathy, Texas

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended September 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Property Taxes (Including Penalty & Interest)	\$ 603,912	\$ 603,912	\$ 633,725	\$ 29,813
Sales Taxes	187,500	187,500	232,246	44,746
Franchise Taxes	150,000	150,000	127,802	(22,198)
Licenses and Permits	8,000	8,000	14,908	6,908
Leases and Rents	69,000	69,000	62,745	(6,255)
Court Fees	7,967	7,967	11,890	3,923
Fire	-	-	24,491	24,491
Mosquito Spraying	15,500	15,500	15,769	269
Interest Income	11,180	11,180	10,435	(745)
Sanitation	295,100	295,100	293,383	(1,717)
Library	5,835	5,835	8,013	2,178
Grant Revenues	282,675	307,675	321,421	13,746
Paving Liens	-	-	15,668	15,668
Miscellaneous	5,000	5,000	3,299	(1,701)
<u>Total Revenues</u>	<u>1,641,669</u>	<u>1,666,669</u>	<u>1,775,795</u>	<u>109,126</u>
<u>Expenditures</u>				
<u>Current</u>				
City Hall	117,682	144,182	143,603	579
Legislative	7,000	7,000	3,333	3,667
Administrative	227,636	227,136	199,850	27,286
Sanitation Department	227,700	182,700	178,705	3,995
Streets	583,860	628,860	626,779	2,081
Fire Department	34,475	34,475	25,349	9,126
Police Department	460,243	460,243	458,906	1,337
Library	47,671	48,171	47,947	224
Ambulance	163,720	163,720	162,834	886
Judicial	30,016	30,016	28,175	1,841
Parks	12,320	10,820	3,423	7,397
Capital Outlay	-	-	-	-
<u>Total Expenditures</u>	<u>1,912,323</u>	<u>1,937,323</u>	<u>1,878,904</u>	<u>58,419</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In/(Out)	232,169	232,169	216,514	(15,655)
Sale of Capital Assets	-	-	-	-
<u>Total Other Sources (Uses)</u>	<u>232,169</u>	<u>232,169</u>	<u>216,514</u>	<u>(15,655)</u>
Net Change in Fund Balances	(38,485)	(38,485)	113,405	151,890
Fund Balance, Beginning of Year	<u>854,588</u>	<u>854,588</u>	<u>854,588</u>	<u>-</u>
<u>Fund Balance, End of Year</u>	<u>\$ 816,103</u>	<u>\$ 816,103</u>	<u>\$ 967,993</u>	<u>\$ 151,890</u>

CITY OF ABERNATHY  
Abernathy, Texas

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

	Measurement Year					
	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<b>Total Pension Liability</b>						
Service Cost	\$ 52,480	\$ 51,931	\$ 53,728	\$ 49,481	\$ 53,095	\$ 48,256
Interest (on the Total Pension Liability)	92,132	91,864	87,927	79,999	74,384	70,961
Changes of benefit terms	-	-	8,929	-	-	-
Difference between expected and actual experience	(7,805)	(44,061)	2,295	26,009	19,220	(19,127)
Change of assumptions	(2,888)	-	-	-	21,661	-
Benefit payments, including refunds of employee contributions	(77,745)	(114,351)	(55,084)	(43,090)	(44,944)	(62,277)
<b>Net change in Total Pension Liability</b>	56,174	(14,617)	97,795	112,399	123,416	37,813
<b>Total Pension Liability - Beginning</b>	1,377,545	1,392,162	1,294,367	1,181,968	1,058,552	1,020,739
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 1,433,719</u>	<u>\$ 1,377,545</u>	<u>\$ 1,392,162</u>	<u>\$ 1,294,367</u>	<u>\$ 1,181,968</u>	<u>\$ 1,058,552</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	27,545	28,357	24,316	21,196	25,584	23,562
Contributions - employee	34,346	34,165	36,302	33,433	34,567	32,728
Net investment income	185,341	(38,660)	156,528	70,850	1,524	56,262
Benefit payments, including refunds of employee contributions	(77,745)	(114,351)	(55,084)	(43,090)	(44,944)	(62,277)
Administrative expense	(1,049)	(748)	(812)	(801)	(928)	(587)
Other	(31)	(39)	(41)	(43)	(46)	(48)
<b>Net Change in Plan Fiduciary Net Position</b>	168,407	(91,276)	161,209	81,545	15,757	49,640
<b>Plan Fiduciary Net Position - Beginning</b>	1,200,318	1,291,594	1,130,385	1,048,840	1,033,083	983,443
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 1,368,725</u>	<u>\$ 1,200,318</u>	<u>\$ 1,291,594</u>	<u>\$ 1,130,385</u>	<u>\$ 1,048,840</u>	<u>\$ 1,033,083</u>
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	\$ 64,994	\$ 177,227	\$ 100,568	\$ 163,982	\$ 133,128	\$ 25,469
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	95.47%	87.13%	92.78%	87.33%	88.74%	97.59%
<b>Covered Employee Payroll</b>	\$ 686,910	\$ 683,306	\$ 726,049	\$ 668,661	\$ 691,341	\$ 654,559
<b>Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	9.46%	25.94%	13.85%	24.52%	19.26%	3.89%

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY  
Abernathy, Texas

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

	Measurement Year		
	2019	2018	2017
<b>Total OPEB Liability</b>			
Service Cost	\$ 1,443	\$ 1,982	\$ 1,815
Interest (on the Total OPEB Liability)	1,544	1,522	1,538
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(10,965)	(4,225)	-
Change of assumptions	7,068	(2,498)	2,720
Benefit payments, including refunds of employee contributions	(893)	(820)	(944)
<b>Net change in Total OPEB Liability</b>	(1,803)	(4,039)	5,129
<b>Total OPEB Liability - Beginning</b>	41,348	45,387	40,258
<b>Total OPEB Liability - Ending</b>	\$ 39,545	\$ 41,348	\$ 45,387
<b>Covered Employee Payroll</b>	\$ 686,910	\$ 683,306	\$ 726,049
<b>Total OPEB Liability/(Asset) as a Percentage of Covered Payroll</b>	5.76%	6.05%	6.25%

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY  
Abernathy, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS  
(unaudited)

	<u>FYE 9/30/2020</u>	<u>FYE 9/30/2019</u>	<u>FYE 9/30/2018</u>	<u>FYE 9/30/2017</u>	<u>FYE 9/30/2016</u>	<u>FYE 9/30/2015</u>
Actuarially Determined Contribution	\$ 26,733	\$ 27,785	\$ 27,594	\$ 25,332	\$ 24,273	\$ 25,857
Contributions in relation to the actuarially determined contribution	<u>26,733</u>	<u>27,785</u>	<u>27,594</u>	<u>25,332</u>	<u>24,273</u>	<u>25,857</u>
Contribution deficiency (excess)	\$ <u>-</u>					
Covered employee payroll	\$ 687,508	\$ 687,947	\$ 686,904	\$ 719,274	\$ 679,295	\$ 702,382
Contributions as a percentage of covered employee payroll	3.89%	4.04%	4.02%	3.52%	3.57%	3.68%

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY  
Abernathy, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS OPEB  
(unaudited)

	Fiscal Year		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 1,889	\$ 1,995	\$ 1,855
Contributions in relation to the actuarially determined contribution	<u>1,889</u>	<u>1,995</u>	<u>1,855</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 687,508	\$ 687,947	\$ 686,904
Contributions as a percentage of covered employee payroll	0.27%	0.29%	0.27%

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2020

Schedule of Contributions – TMRS

**Valuation Date:**

Notes

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

**Methods and Assumptions Used to Determine Contribution Rates:**

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

**Other Information:**

Notes

There were no benefit changes during the year.

CITY OF ABERNATHY  
Abernathy, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2020

Schedule of Contributions for OPEB – TMRS

**Valuation Date:**

Notes

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method

Entry Age Normal

Asset Valuation

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

Inflation

2.5%

Salary Increases

3.50% to 11.5% including inflation

Discount Rate\*

2.75%

Retirees' share of benefit-related costs

0\$

Administrative expenses

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

Mortality rates – service retirees

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

Mortality rates – disabled retirees

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

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

*OTHER SUPPLEMENTARY INFORMATION*

CITY OF ABERNATHY  
Abernathy, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
For the Year Ended September 30, 2020

Years Ended September 30	Balance 10/01/19	Add: Current Levy	Less: Collections	Total Year's Adjustments	Balance 09/30/20
2011 and Prior	\$ 4,997	\$ -	\$ 101	\$ (196)	\$ 4,700
2012	1,575	-	428	(34)	1,113
2013	2,359	-	631	(22)	1,706
2014	3,388	-	1,037	(23)	2,328
2015	4,491	-	1,025	(22)	3,444
2016	5,291	-	1,515	(5)	3,771
2017	8,725	-	2,646	(5)	6,074
2018	11,904	-	4,051	(359)	7,494
2019	20,496	-	7,053	(336)	13,107
2020	<u>-</u>	<u>616,843</u>	<u>598,146</u>	<u>221</u>	<u>18,918</u>
<u>Totals</u>	<u>\$ 63,226</u>	<u>\$ 616,843</u>	<u>\$ 616,633</u>	<u>\$ (781)</u>	<u>\$ 62,655</u>

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## Independent Auditors' Report

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

To the Honorable Mayor and City Council  
City of Abernathy, Texas  
P.O. Box 310  
Abernathy, Texas 79311

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Abernathy, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Abernathy's basic financial statements, and have issued our report thereon dated March 5, 2021.

#### Internal Control Over Financial Reporting

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

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



Independent Auditors' Report  
Page 2

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

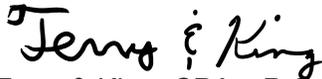
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Terry & King, CPAs, P.C.  
Lubbock, Texas  
March 5, 2021

CITY OF ABERNATHY  
Abernathy, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2020

A. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  Reported  None

Noncompliance material to financial statements noted?  Yes  No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF ABERNATHY  
Abernathy, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended September 30, 2020

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
None	N/A	N/A

CITY OF ABERNATHY  
Abernathy, Texas

CORRECTIVE ACTION PLAN  
For the Year Ended September 30, 2020

Not Applicable – None Required