

ANNUAL FINANCIAL REPORT

CITY OF ABERNATHY, TEXAS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

CITY OF ABERNATHY
Abernathy, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2022

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CITY OF ABERNATHY
Abernathy, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2022

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INTRODUCTORY SECTION

CITY OF ABERNATHY
Abernathy, Texas

September 30, 2022

CITY COUNCIL

Ron Johnson

Mayor

Matt Riley

Mayor Pro-tem

Bilinda Prater

Councilmember

Eva Cortez

Councilmember

Jared Shannon

Councilmember

Gary Stone

Councilmember

FINANCIAL SECTION

Terry & King, CPAs, P.C.

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Lubbock, TX 79493-3550

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

Independent Auditors' Report on Financial Statements

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

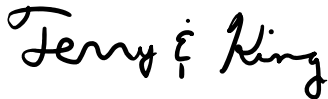
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Abernathy, Texas' 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2022, on our consideration of the City of Abernathy, Texas' 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 of Abernathy, Texas' 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 City of Abernathy, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The script is cursive and fluid, with the ampersand clearly visible.

Terry & King, CPAs
Lubbock, Texas
April 7, 2022

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, 2022. 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 \$140,419 or approximately 4%, net position of our governmental activities increased by \$224,707 or 5%.
- During the year, the City had expenses that were \$13,330 less than the \$1,939,554 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 \$5,003 prior to transfers.
- In the City's business type activities, charges for services increased \$55,782 to \$1,098,585 (or 5%) while expenses increased \$101,206 to \$963,879 (or 12%).
- Total cost of all of the City's programs was \$2,890,103, an increase of \$298,522.
- The General Fund reported a surplus this year of \$164,040 after receiving transfers from the Water and Sewer fund of \$211,377.
- The resources available for appropriation were \$110,362 more than budgeted for the General Fund. Expenditures were less than the budgeted amounts for an overall favorable variance in spending of \$107,630.

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 \$8,008,926 to \$8,374,052. 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 \$8,374,052 at September 30, 2022. (See Table A-1).

Table A-1
Summary of Net Position
September 30, 2022

	Governmental Activities			Business-type Activities			Total Primary Government		
	<u>2022</u>	<u>2021</u>	<u>% Change</u>	<u>2022</u>	<u>2021</u>	<u>% Change</u>	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Current Assets	\$ 1,296,315	\$ 1,155,538	12%	\$ 1,204,939	\$ 1,765,360	-32%	\$ 2,501,254	\$ 2,920,898	-14%
Non-current Leases	48,192	84,151	-43%	36,709	48,832	-25%	84,901	132,983	-36%
Non-current Net Pension Asset	27,778	-	100%	16,957	-	100%	44,735	-	100%
Capital Assets, net	3,405,691	3,373,884	1%	3,845,225	3,332,836	15%	7,250,916	6,706,720	8%
Total Assets	4,777,976	4,613,573	4%	5,103,830	5,147,028	-1%	9,881,806	9,760,601	1%
Deferred Outflows of Resources:									
Deferred Outflows - Pension	20,202	12,583	61%	9,755	6,420	52%	29,957	19,003	58%
Deferred Outflows - OPEB	7,448	8,133	-8%	3,660	4,053	-10%	11,108	12,186	-9%
Total Deferred Outflows of Resources	27,650	20,716	33%	13,415	10,473	28%	41,065	31,189	32%
Current Liabilities	28,300	45,169	-37%	138,448	119,965	15%	166,748	165,134	1%
Noncurrent - Customer Deposits	5,000	5,000	0%	91,366	86,442	6%	96,366	91,442	5%
Noncurrent - Debt	-	-	0%	751,000	847,000	-11%	751,000	847,000	-11%
Noncurrent - Pension & OPEB	34,787	57,705	-40%	15,846	25,206	-37%	50,633	82,911	-39%
Total Liabilities	68,087	107,874	-37%	996,660	1,078,613	-8%	1,064,747	1,186,487	-10%
Deferred Inflows of Resources:									
Deferred Inflows - Pension	67,177	32,451	107%	32,781	14,764	122%	99,958	47,215	112%
Deferred Inflows - OPEB	6,972	8,894	-22%	3,533	4,521	-22%	10,505	13,415	-22%
Deferred Inflows - Leases	84,151	130,538	-36%	48,832	60,353	100%	132,983	190,891	100%
Deferred Inflows - Grants	-	-	0%	240,626	344,856	-30%	240,626	344,856	-30%
Total Deferred Inflows of Resources	158,300	171,883	-8%	325,772	424,494	-23%	484,072	596,377	-19%
Net Position									
Net investment in capital assets	3,405,691	3,373,884	1%	2,998,225	2,392,836	25%	6,403,916	5,766,720	11%
Restricted	-	-	0%	282,562	280,773	1%	282,562	280,773	1%
Unrestricted	1,173,548	980,648	20%	514,026	980,785	-48%	1,687,574	1,961,433	-14%
Total Net Position	\$ 4,579,239	\$ 4,354,532	5%	\$ 3,794,813	\$ 3,654,394	4%	\$ 8,374,052	\$ 8,008,926	5%

Net position of the City's governmental activities increased 5% (\$4,579,239 compared to \$4,354,532). 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 \$980,648 at September 30, 2021 to \$1,173,548 at the end of this year. Net position of the City's business-type activities increased by 4% from \$3,654,394 to \$3,794,813.

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

	Governmental Activities			Business-type Activities			Total		
	2022	2021	Percentage Change	2022	2021	Percentage Change	2022	2021	Percentage Change
Program Revenues:									
Charges for Services	442,254	438,966	1%	1,098,585	1,042,803	5%	1,540,839	1,481,769	4%
Grants & Contributions	219,942	139,857	57%	209,374	-	100%	429,316	139,857	207%
General Revenues:									
Property Taxes	677,822	653,605	4%	-	-	0%	677,822	653,605	4%
Nonproperty Taxes	447,257	420,982	6%	-	-	0%	447,257	420,982	6%
Investment Earnings	9,947	5,023	98%	7,716	7,965	-3%	17,663	12,988	36%
Licenses and Permits	19,633	29,658	-34%	-	-	0%	19,633	29,658	-34%
Other	122,699	35,814	243%	-	-	0%	122,699	35,814	243%
	1,939,554	1,723,905	13%	1,315,675	1,050,768	25%	3,255,229	2,774,673	17%
Expenses:									
City Hall	145,373	138,347	5%	-	-	0%	145,373	138,347	5%
Legislative	6,070	6,250	-3%	-	-	0%	6,070	6,250	-3%
Administrative	180,536	206,002	-12%	-	-	0%	180,536	206,002	-12%
Sanitation	203,982	187,360	9%	-	-	0%	203,982	187,360	9%
Streets	342,838	317,554	8%	-	-	0%	342,838	317,554	8%
Fire	156,075	95,523	63%	-	-	0%	156,075	95,523	63%
Police	596,094	444,537	34%	-	-	0%	596,094	444,537	34%
Library	52,483	49,552	6%	-	-	0%	52,483	49,552	6%
Ambulance	173,020	174,286	-1%	-	-	0%	173,020	174,286	-1%
Judicial	34,117	44,820	-24%	-	-	0%	34,117	44,820	-24%
Parks	35,636	64,677	-45%	-	-	0%	35,636	64,677	-45%
Water and Sewer	-	-	0%	963,879	862,673	12%	963,879	862,673	12%
	1,926,224	1,728,908	11%	963,879	862,673	12%	2,890,103	2,591,581	12%
Change in Net Position, Before Transfers	13,330	(5,003)	-366%	351,796	188,095	87%	365,126	183,092	99%
Transfers	211,377	111,841	89%	(211,377)	(111,841)	89%	-	-	0%
Change in Net Position	224,707	106,838	110%	140,419	76,254	84%	365,126	183,092	99%
Beginning Net Position	4,354,532	4,247,694	3%	3,654,394	3,578,140	2%	8,008,926	7,825,834	2%
Ending Net Position	4,579,239	4,354,532	5%	3,794,813	3,654,394	4%	8,374,052	8,008,926	5%

The City's total revenues were \$3,255,229. A significant portion, 40%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (35%), non-property taxes (23%), charges for services (23%), grants and contributions (11%), and other (8%).

The total cost of all programs and services was \$2,890,103; 33% of these costs were for the business-type activities. Expenses for governmental activities consisted of costs for city hall (8%), administration (9%), sanitation (11%), streets (18%), fire department (8%), police (32%), health & welfare (9%), and parks and library (5%).

Governmental Activities

Revenue for the City's governmental activities increased by 13% (\$215,649) while total expenses increased 11% (\$197,316).

- Property tax rates remained the same at \$0.5900 per \$100. The ad valorem tax levy for the previous fiscal year was \$643,748, compared to \$691,984 for the current year. Total tax collections increased 3%, from \$641,578 in the prior year to \$659,548.
- The City received \$122,606 from grants in the current fiscal year. A CARES grant was recognized for the reimbursement of police salaries and expenses in the amount of \$119,856.
- The cost of all *governmental* activities this year was \$1,926,224 compared to \$1,728,908 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 \$677,822 because some of the costs were paid by those who directly benefited from the programs (\$442,254) or by nonproperty taxes (\$447,257). Overall, the City's governmental program revenues, including intergovernmental aide and fees for services, increased in 2022 from \$1,723,905 to \$1,939,554.

Business-type Activities

Revenues of the City's business-type activities (see table A-2) increased 25% (\$1,315,675 from \$1,050,768) and expenses *increased* by 12%.

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 \$1,203,014, which is an increase from the prior year's total of \$1,038,974. The following items effecting fund balance should be noted:

- Ad valorem tax revenues increased \$17,863 and non-property tax revenues increased \$26,275.
- Grant revenues increased \$11,867.
- The City's Governmental Funds expended \$352,800 for capital assets in the current fiscal period while in the previous fiscal year, \$288,931 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 \$110,362 more than final budget amounts and expenditures were \$107,630 below the final budget amounts for the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the City had \$14,588,708 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 \$988,690 over last year.

This year's major additions amounted to \$1,016,005:

- \$36,283 – Street improvements
- \$135,000 – Fire department tanker truck
- \$181,517 – 5 Vehicles
- \$560,156 – Land for water system
- \$103,049 – Water & Sewer system improvements

Table A-3
Fixed Assets

Governmental Activities:	Balance 10-1-21	Additions	Deletions/ Reclassifications	Balance 9-30-22
Land	\$ 216,237	-	-	216,237
Buildings & Improvements	1,081,475	-	-	1,081,475
Construction in Progress	-	-	-	-
City Park	651,262	-	-	651,262
Street Paving	3,130,517	36,283	-	3,166,800
Vehicles	360,063	316,517	(27,315)	649,265
Furniture & Equipment	1,238,698	-	-	1,238,698
Accumulated Depreciation	<u>(3,304,368)</u>	<u>(320,994)</u>	<u>(27,315)</u>	<u>(3,598,047)</u>
Net Capital Assets	<u>\$ 3,373,884</u>	<u>\$ 31,806</u>	<u>\$ -</u>	<u>\$ 3,405,690</u>

Business-Type Activities:	Balance 10-1-21	Additions	Deletions/ Reclassifications	Balance 9-30-22
Land	\$ 460,850	560,156	-	1,021,006
Construction in Progress	-	42,988	-	42,988
Buildings & Improvements	332,405	-	-	332,405
Vehicles	443,724	-	-	443,724
Sewer System	1,866,428	60,061	-	1,926,489
Water System	3,818,359	-	-	3,818,359
Accumulated Depreciation	<u>(3,588,930)</u>	<u>(150,815)</u>	<u>-</u>	<u>(3,739,745)</u>
Net Capital Assets	<u>\$ 3,332,836</u>	<u>\$ 512,390</u>	<u>\$ -</u>	<u>\$ 3,845,226</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 2022, the City had \$847,000 of total debt outstanding. \$96,000 of this is due within one year. The City has Certificates of Obligation outstanding of \$847,000. 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 10-01-21</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance 09-30-22</u>	<u>Due Within One Year</u>
Certificate of Obligation	<u>\$ 940,000</u>	<u>-</u>	<u>\$ 93,000</u>	<u>\$ 847,000</u>	<u>\$ 96,000</u>
Total	<u>\$ 940,000</u>	<u>\$ -</u>	<u>\$ 93,000</u>	<u>\$ 847,000</u>	<u>\$ 96,000</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 2023 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 decrease from \$0.5900/\$100 valuation to \$0.529314/\$100. 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, 2023 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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Investments	\$ 1,184,917	\$ 788,806	\$ 1,973,723
Cash and Investments - Restricted	-	282,562	282,562
Accounts Receivable, net	48,925	111,734	160,659
Taxes Receivable, Net	24,042	-	24,042
Due from Other Governments	2,472	-	2,472
Leases Receivable - current	35,959	12,123	48,082
Leases Receivable - noncurrent	48,192	36,709	84,901
Capital Credits	-	9,714	9,714
Net Pension Asset	27,778	16,957	44,735
Capital Assets:			
Land	216,237	1,021,006	1,237,243
Construction in Progress	-	42,987	42,987
Buildings & Improvements, net	605,981	180,620	786,601
Infrastructure	1,881,958	-	1,881,958
Utility Systems & Equipment, net	-	2,595,414	2,595,414
Furniture & Equipment, net	701,515	5,198	706,713
TOTAL ASSETS	\$ 4,777,976	\$ 5,103,830	\$ 9,881,806
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	20,202	9,755	29,957
Deferred Outflows - OPEB	7,448	3,660	11,108
TOTAL DEFERRED OUTFLOWS OF RESOURCES	27,650	13,415	41,065
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 28,300	\$ 39,420	\$ 67,720
Accrued Interest	-	3,028	3,028
Noncurrent Liabilities:			
Customer Deposits	5,000	91,366	96,366
Due within one year	-	96,000	96,000
Due in more than one year	-	751,000	751,000
Total OPEB Liability	34,787	15,846	50,633
Total Liabilities	\$ 68,087	\$ 996,660	\$ 1,064,747
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	67,177	32,781	99,958
Deferred Inflows - OPEB	6,972	3,533	10,505
Deferred Inflows - Lease Income	84,151	48,832	132,983
Deferred Inflows - Grant Funds	-	240,626	240,626
Total Deferred Inflows of Resources	158,300	325,772	484,072
NET POSITION			
Net Investment in Capital Assets	\$ 3,405,691	\$ 2,998,225	\$ 6,403,916
Restricted for:			
Debt Service	-	282,562	282,562
Unrestricted	1,173,548	514,026	1,687,574
Total Net Position	\$ 4,579,239	\$ 3,794,813	\$ 8,374,052

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY
Abernathy, Texas

STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

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	
Government Activities:							
City Hall	\$ 145,373	\$ 64,647	\$ -	\$ -	\$ (80,726)	-	(80,726)
Legislative	6,070	-	-	-	(6,070)	-	(6,070)
Administrative	180,536	-	-	-	(180,536)	-	(180,536)
Sanitation	203,982	300,769	-	-	96,787	-	96,787
Streets	342,838	31,337	-	-	(311,501)	-	(311,501)
Fire	156,075	-	92,336	-	(63,739)	-	(63,739)
Police	596,094	-	122,606	5,000	(468,488)	-	(468,488)
Library	52,483	6,221	-	-	(46,262)	-	(46,262)
Health & Welfare	173,020	16,143	-	-	(156,877)	-	(156,877)
Judicial	34,117	23,137	-	-	(10,980)	-	(10,980)
Parks	35,636	-	-	-	(35,636)	-	(35,636)
<u>Total Government Activities</u>	<u>\$ 1,926,224</u>	<u>\$ 442,254</u>	<u>\$ 214,942</u>	<u>\$ 5,000</u>	<u>\$ (1,264,028)</u>	<u>\$ -</u>	<u>\$ (1,264,028)</u>
Business-type Activities							
Water and Sewer	\$ 963,879	\$ 1,098,585	\$ -	\$ 209,374	\$ -	\$ 344,080	\$ 344,080
<u>Total Business-Type Activities</u>	<u>\$ 963,879</u>	<u>\$ 1,098,585</u>	<u>\$ -</u>	<u>\$ 209,374</u>	<u>\$ -</u>	<u>\$ 344,080</u>	<u>\$ 344,080</u>
<u>Total Primary Government</u>	<u>\$ 2,890,103</u>	<u>\$ 1,540,839</u>	<u>\$ 214,942</u>	<u>\$ 214,374</u>	<u>\$ (1,264,028)</u>	<u>\$ 344,080</u>	<u>\$ (919,948)</u>
General Revenues							
Property Taxes, Levied for General Purpose					677,822	-	677,822
Nonproperty Taxes					447,257	-	447,257
Investment Earnings					9,947	7,716	17,663
Licenses and Permits					19,633	-	19,633
Miscellaneous					25,473	-	25,473
Insurance Proceeds					82,226	-	82,226
Gain on Sale of Capital Assets					15,000	-	15,000
Transfers					211,377	(211,377)	-
<u>Total General Revenue</u>					<u>1,488,735</u>	<u>(203,661)</u>	<u>1,187,848</u>
Change in Net Position					224,707	140,419	365,126
Net Position -- Beginning					4,354,532	3,654,394	8,008,926
Net Position -- Ending					<u>\$ 4,579,239</u>	<u>\$ 3,794,813</u>	<u>\$ 8,374,052</u>

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY
Abernathy, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS
September 30, 2022

	General Fund	Total Governmental Funds
ASSETS		
Cash & Cash Equivalents	\$ 1,184,917	\$ 1,184,917
Property Taxes Receivable, net	24,042	24,042
Accounts Receivable	48,925	48,925
Due from Other Governments	2,472	2,472
<u>TOTAL ASSETS</u>	<u>\$ 1,260,356</u>	<u>\$ 1,260,356</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 28,300	\$ 28,300
Customer Deposits	5,000	5,000
<u>Total Liabilities</u>	<u>33,300</u>	<u>33,300</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenues - Property Taxes	24,042	24,042
<u>Total Deferred Inflows of Resources</u>	<u>24,042</u>	<u>24,042</u>
FUND BALANCES		
Unassigned	1,203,014	1,203,014
<u>Total Fund Equities</u>	<u>1,203,014</u>	<u>1,203,014</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 1,260,356</u>	<u>\$ 1,260,356</u>

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, 2022

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 1,203,014
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds	24,042
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,405,691
Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension asset required by GASB 68 in the amount of \$27,778, a deferred resource outflow related to Pensions in the amount of \$20,202, and a deferred resource inflow in the amount of \$67,177. This resulted in a decrease in net position by \$19,197	(19,197)
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 \$34,787, a deferred resource outflow related to OPEB in the amount of \$7,448, and a deferred resource inflow in the amount of \$6,972. This resulted in a decrease in net position by \$34,311.	<u>(34,311)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 4,579,239</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, 2022

	General Fund	Total Governmental Funds
REVENUES:		
Property Taxes (Including Penalty & Interest)	\$ 673,788	\$ 673,788
Sales Taxes	275,039	275,039
Franchise Taxes	172,218	172,218
Licenses and Permits	19,633	19,633
Leases and Rents	64,647	64,647
Court Fees	23,137	23,137
Fire	20,264	20,264
Mosquito Spraying	16,143	16,143
Interest Income	9,947	9,947
Sanitation	300,769	300,769
Library	6,221	6,221
Intergovernmental	72,072	72,072
Donations	5,000	5,000
Grant Revenues	122,606	122,606
Paving Liens	31,337	31,337
Insurance Proceeds	82,226	82,226
Miscellaneous	25,473	25,473
<u>Total Revenues</u>	<u>1,920,520</u>	<u>1,920,520</u>
EXPENDITURES		
Current		
City Hall	104,961	104,961
Legislative	6,070	6,070
Administrative	182,533	182,533
Sanitation Department	201,255	201,255
Streets	306,694	306,694
Fire Department	293,864	293,864
Police Department	623,239	623,239
Library	53,847	53,847
Health and Welfare	169,974	169,974
Judicial	34,118	34,118
Parks	6,302	6,302
<u>Total Expenditures</u>	<u>1,982,857</u>	<u>1,982,857</u>
Excess of Revenues Over (Under) Expenditures	(62,337)	(62,337)
OTHER FINANCING SOURCES (USES)		
Transfers In	211,377	211,377
Transfers Out	-	-
Sale of Capital Assets	15,000	15,000
<u>Total Other Sources (Uses)</u>	<u>226,377</u>	<u>226,377</u>
Net Change in Fund Balances	164,040	164,040
Fund Balance--Beginning of Year	1,038,974	1,038,974
<u>Fund Balance--End of Year</u>	<u>\$ 1,203,014</u>	<u>\$ 1,203,014</u>

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, 2022

Net Change in Fund Balances -- Total Governmental Funds	\$ 164,040
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.	352,800
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.	(320,994)
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.	4,035
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 12/31/21 caused the change in the ending net position to increase in the amount of \$14,715. Contributions made before the measurement date and during the 2022 fiscal year were also expended in the 2022 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 \$12,583. 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 \$24,752. The result of these amounts is to increase the change in net position by \$26,884.	26,884
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 12/31/21 caused the change in the ending net position to increase in the amount of \$888. Contributions made before the measurement date and during the 2022 fiscal year were also expended in the 2022 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 \$681. 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 \$2,265. The result of these amounts is to decrease the change in net position by \$2,058.	(2,058)
	<u>\$ 224,707</u>

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY
Abernathy, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2022

	Proprietary Funds
	Water and Sewer
ASSETS	
<u>Current Assets:</u>	
Cash and Investments	\$ 788,806
Cash - Restricted	282,562
Accounts Receivable	259,866
Allowance for Uncollectible	(148,132)
Leases Receivable	12,123
<u>Total Current Assets</u>	<u>\$ 1,195,225</u>
<u>Noncurrent Assets:</u>	
Capital Credits	\$ 9,714
Leases Receivable	36,709
Net Pension Asset	16,957
Land	1,021,006
Construction in Progress	42,987
Vehicles & Equipment (net of depreciation)	2,781,232
<u>Total Fixed Assets</u>	<u>\$ 3,908,605</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 5,103,830</u>
 DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows - Pension	\$ 9,755
Deferred Outflows - OPEB	3,660
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 13,415</u>
 LIABILITIES	
<u>Current Liabilities</u>	
Accounts Payable	\$ 39,420
Accrued Interest	3,028
<u>Noncurrent Liabilities</u>	
Customer Deposits	91,366
Due within one year	96,000
Due in more than one year	751,000
Total OPEB Liability	15,846
<u>Total Liabilities</u>	<u>996,660</u>
 DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows - Pension	\$ 32,781
Deferred Inflows - OPEB	3,533
Deferred Inflows - Lease Income	48,832
Deferred Inflows - Grant Funds	240,626
<u>Total Deferred Inflows of Resources</u>	<u>325,772</u>
 NET POSITION	
Net investment in capital assets	2,998,225
Restricted for:	
Debt Service	282,562
Unrestricted	514,026
<u>Total Net Position</u>	<u>\$ 3,794,813</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, 2022

	<u>Proprietary Funds</u>
	<u>Water and Sewer</u>
<u>Operating Revenues</u>	
Water Revenue	\$ 797,713
Sewer Revenue	195,161
Water/Sewer Permits	6,566
Reconnect and Late Fees	52,413
Rental and Other Income	46,732
<u>Total Operating Revenues</u>	<u>1,098,585</u>
<u>Operating Expenses</u>	
Salaries	266,647
Payroll Taxes	20,399
Retirement Costs	(1,895)
Supplies	65,021
Repairs & Maintenance	145,253
Utilities & Fuel	140,895
Insurance	81,322
Professional Fees	49,163
Miscellaneous	21,038
Depreciation	150,815
<u>Total Operating Expenses</u>	<u>938,658</u>
<u>Operating Income (Loss)</u>	159,927
<u>Non-Operating Revenues (Expenses)</u>	
Interest Income	7,716
Interest Expense	(25,221)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(17,505)</u>
<u>Income Before Contributions and Transfers</u>	142,422
<u>Contributions and Transfers</u>	
Capital Contribution	209,374
Transfers In/(Out)	(211,377)
<u>Total Contributions and Transfers</u>	<u>(2,003)</u>
Change in Net Position	140,419
NET POSITION	
Net Position, Beginning of Year	3,654,394
Net Position, End of Year	<u>3,794,813</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, 2022

	<u>Proprietary Funds</u>
	<u>Water and Sewer</u>
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers	\$ 1,112,969
Payments to Suppliers	(486,876)
Payments to Employees	(297,381)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>328,712</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Payments on Interfund Balances	-
Transfer to Other Fund	(211,377)
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>(211,377)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Fixed Assets	(663,204)
Contributions from Grants	105,144
Payments on Long-Term Debt	(118,554)
<u>Net Cash Provided (Used) by Capital & Related Financing Activities</u>	<u>(676,614)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned on Investments	7,716
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>7,716</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(551,563)
Cash & Cash Equivalents--Beginning of Year	<u>1,622,931</u>
<u>Cash & Cash Equivalents--End of Year</u>	<u>1,071,368</u>
Reconciliaton of Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Operating Income (Loss)	159,927
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:	
Depreciation	150,815
(Increase) Decrease in Receivables	9,460
(Increase) Decrease in Net Pension Asset	(16,957)
(Increase) Decrease in Deferred Outflows	(2,942)
Increase (Decrease) in Liabilities	6,456
Increase (Decrease) in Deferred Inflows	21,953
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>328,712</u>

The accompanying notes are an integral part of this statement.

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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 1st 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 1st of the year following the year in which imposed. On January 1st 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, 2022, the amount deemed uncollectible by this estimate was \$44,004. 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, 2022

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 two types 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, 2022

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, 2022

Note C: Deposits and Investments (continued)

Cash Deposits

At September 30, 2022, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing saving accounts included in temporary investments) was \$2,272,309 and the bank balance was \$2,256,285. The City's cash deposits at September 30, 2022 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 an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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, 2022 included certificates of deposit (\$1,091,186).

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, 2022

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: Leases Receivable

Governmental Activities

- a. The City, as lessor, has a lease agreement with a local rancher whereby a tract of land containing 225.65 acres is being leased for farm animal grazing. The lease has an initial lease term of February 1, 2021 and terminating on January 31, 2031.

The agreed rent to be paid by the Tenant to the City is the sum of \$5,850 per year. Lease income of \$3,993 and interest income of \$1,857 was recognized for the fiscal year ending September 30, 2022.

- b. The City, as lessor, has a lease agreement with a dairy transport company whereby the City's airport runway area, taxiways, and public parking ramps are being leased as a vehicle operating and training center for drivers/operators of class 8 tractor-trailer units. The lease has an initial lease term of April 1, 2020 and terminating on March 31, 2023.

The agreed rent to be paid by the Tenant to the City is the sum of \$2,125 per month. Lease income of \$24,399 and interest income of \$1,100 was recognized for the fiscal year ending September 30, 2022.

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10
September 30, 2022

Note D: Leases Receivable (continued)

- c. The City, as lessor, has a lease agreement with the United States Postal Services whereby a building is being leased as a Post Office. The lease has an initial lease term of June 1, 2019 and terminating on May 31, 2024.

The agreed rent to be paid by the Tenant to the City is the sum of \$1,730 per month. Lease income of \$17,994 and interest income of \$2,766 was recognized for the fiscal year ending September 30, 2022.

Future rental payments due from tenants at September 30, 2022 are as follows:

Governmental Activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending September 30,			
2023	\$ 35,959	\$ 3,401	\$ 39,360
2024	17,856	1,834	19,690
2025	4,535	1,315	5,850
2026	4,732	1,118	5,850
2027	4,937	913	5,850
2028-2032	<u>16,132</u>	<u>1,418</u>	<u>17,550</u>
Totals	<u>\$ 84,151</u>	<u>\$ 9,999</u>	<u>\$ 94,150</u>

Business-Type Activities

- a. The City, as lessor, has a lease agreement with a local farmer and rancher whereby a tract of land ("Sewer West") is being leased for the purpose of farm animal grazing. The lease has an initial lease term of November 20, 2018 and terminating on October 31, 2027.

The agreed rent to be paid by the Tenant to the City is the sum of \$775 per year. Lease income of \$533 and interest income of \$242 was recognized for the fiscal year ending September 30, 2022.

- b. The City, as lessor, has a lease agreement with a local farmer and rancher whereby a tract of land ("Sewer Farm") is being leased for the purpose of farm animal grazing. The lease has an initial lease term of November 20, 2018 and terminating on October 31, 2027.

The agreed rent to be paid by the Tenant to the City is the sum of \$5,000 per year. Lease income of \$3,440 and interest income of \$1,560 was recognized for the fiscal year ending September 30, 2022.

- c. The City, as lessor, has a lease agreement with a local farmer and rancher whereby a tract of land containing 282.3 acres is being leased for the purpose of farm animal grazing. The lease has an initial lease term of March 1, 2021 and terminating on March 1, 2026.

The agreed rent to be paid by the Tenant to the City is the sum of \$9,034 per year. Lease income of \$7,548 and interest income of \$1,486 was recognized for the fiscal year ending September 30, 2022.

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 11
September 30, 2022

Note D: Leases Receivable (continued)

Future rental payments due from tenants at September 30, 2022 are as follows:

Business-Type Activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending September 30,			
2023	\$ 12,123	\$ 2,686	\$ 14,809
2024	12,758	2,051	14,809
2025	13,427	1,382	14,809
2026	5,098	677	5,775
2027	<u>5,426</u>	<u>349</u>	<u>5,775</u>
Totals	<u>\$ 48,832</u>	<u>\$ 7,145</u>	<u>\$ 55,977</u>

Note E: Capital Assets

Capital asset activity for the period ended September 30, 2022, was as follows.

Governmental Activities:	<u>Balance 10-1-21</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Balance 9-30-22</u>
Land	\$ 216,237	-	-	\$ 216,237
Buildings & Improvements	1,081,475	-	-	1,081,475
Construction in Progress	-	-	-	-
City Park	651,262	-	-	651,262
Street Paving	3,130,517	36,283	-	3,166,800
Vehicles	360,063	316,517	(27,315)	649,265
Furniture & Equipment	<u>1,238,698</u>	<u>-</u>	<u>-</u>	<u>1,238,698</u>
Total Capital Assets	<u>\$6,678,252</u>	<u>\$ 352,800</u>	<u>\$ (27,315)</u>	<u>\$ 7,003,737</u>
<u>Less Accumulated Depreciation:</u>				
Buildings & Improvements	\$ 436,880	\$ 38,614	-	\$ 475,494
City Park	433,112	32,243	-	465,355
Street Paving	1,169,128	115,714	-	1,284,842
Vehicles	288,555	57,345	(27,315)	318,585
Furniture & Equipment	<u>976,693</u>	<u>77,078</u>	<u>-</u>	<u>1,053,771</u>
Total Accumulated Depreciation	<u>\$3,304,368</u>	<u>\$ 320,994</u>	<u>\$ (27,315)</u>	<u>\$ 3,598,047</u>
Net Capital Assets	<u>\$3,373,884</u>	<u>\$ 31,806</u>	<u>\$ -</u>	<u>\$ 3,405,690</u>

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 12
September 30, 2022

Note D: Capital Assets (continued)

Business-Type Activities: Water & Sewer	Balance <u>10-1-21</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-22</u>
Land	\$ 460,850	\$ 560,156	-	\$ 1,021,006
Construction in Progress	-	42,988	-	42,988
Buildings& Improvements	332,405	-	-	332,405
Water System	3,818,359	-	-	3,818,359
Sewer System	1,866,428	60,061	-	1,926,489
Vehicles	<u>443,724</u>	<u>-</u>	<u>-</u>	<u>443,724</u>
Total Capital Assets	<u>\$ 6,921,766</u>	<u>\$ 663,205</u>	<u>\$ -</u>	<u>\$ 7,584,971</u>
 <u>Less Accumulated Depreciation:</u>	 <u>Balance 10-1-21</u>	 <u>Additions</u>	 <u>Deletions/ Reclassifications</u>	 <u>Balance 9-30-22</u>
Buildings& Improvements	\$ 143,516	\$ 8,269	-	\$ 151,785
Water System	1,681,856	100,486	-	1,782,342
Sewer System	1,333,453	33,639	-	1,367,092
Vehicles	<u>430,105</u>	<u>8,421</u>	<u>-</u>	<u>438,526</u>
Total Accumulated Depreciation	<u>\$ 3,588,930</u>	<u>\$ 150,815</u>	<u>\$ -</u>	<u>\$ 3,739,745</u>
Net Capital Assets	<u>\$ 3,332,836</u>	<u>\$ 512,390</u>	<u>\$ -</u>	<u>\$ 3,845,226</u>

Depreciation was charged to functions as follows:

City Hall	\$ 40,412
Administration	3,392
Sanitation	2,727
Streets	124,791
Fire	52,363
Police	62,020
Ambulance	3,046
Parks	32,243
Water & Sewer	<u>150,815</u>
	<u>\$ 471,809</u>

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 13
September 30, 2022

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 \$25,221.

Changes in long-term obligations for the year ended September 30, 2022 are as follows:

<u>Governmental Funds:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Ending Balance</u>	<u>Within One Year</u>
Net Pension Liability	\$ 26,213	\$ -	\$ 53,991	\$ (27,778)	\$ -
Total OPEB Liability	<u>31,492</u>	<u>3,720</u>	<u>425</u>	<u>34,787</u>	<u>-</u>
<u>Total Governmental Funds:</u>	<u>\$ 57,705</u>	<u>\$ 3,720</u>	<u>\$ 54,416</u>	<u>\$ 7,009</u>	<u>\$ -</u>

<u>Enterprise Funds:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Net Pension Liability	\$ 11,055	\$ -	\$ 28,012	\$ (16,957)	\$ -
Total OPEB Liability	14,151	1,913	218	15,846	-
Certificates of Obligation- Series 2015	<u>940,000</u>	<u>-</u>	<u>93,000</u>	<u>847,000</u>	<u>96,000</u>
<u>Total Enterprise Funds:</u>	<u>\$ 965,206</u>	<u>\$ 1,913</u>	<u>\$ 121,230</u>	<u>\$ 845,889</u>	<u>\$ 96,000</u>

Debt service requirements on long-term debt at September 30, 2022 are as follows:

<u>Enterprise Funds</u>			
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 96,000	\$ 22,851	\$ 118,851
2024	98,000	20,077	118,077
2025	101,000	17,232	118,232
2026	104,000	14,300	118,300
2027	107,000	11,283	118,283
2028-2030	<u>341,000</u>	<u>14,829</u>	<u>355,829</u>
Total	<u>\$ 847,000</u>	<u>\$ 100,572</u>	<u>\$ 947,572</u>

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14
September 30, 2022

Note F: TMRS-Pension Plan

Plan Description

The City of Abernathy participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the administration and management of TMRS with a six-member Board of Trustees (Board) appointed by the Governor with the advice and consent of the Texas Senate. TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

	<u>Plan Year 2021</u>	<u>Plan Year 2020</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

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 15
September 30, 2022

Note F: TMRS-Pension Plan (continued)

Employees covered by benefit terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	31
Active employees	<u>17</u>
Total	55

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the city matching ratios are either 1:1(1 to 1), 1.5:1 (1-1/2 to 1) or 2:1 (2 to 1), both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Abernathy were required to contribute 5% of their annual compensation during the fiscal year. The actuarially determined contribution rates for the City of Abernathy were 3.70% and 3.65% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$28,587, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

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

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 16
September 30, 2022

Note F: TMRS-Pension Plan (continued)

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	<u>10.00%</u>	10.00%
Total	100.00%	

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 17
September 30, 2022

Note F: TMRS-Pension Plan (continued)

Discount Rate

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

Change in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/20	\$ 1,517,404	\$ 1,480,137	\$ 37,267
Changes for the year:			
Service cost	55,344		55,344
Interest	101,950		101,950
Change of benefit terms			
Difference between expected and actual experience	14,331		14,331
Changes of assumptions			-
Contributions - employer		26,411	(26,411)
Contributions - employee		35,706	(35,706)
Net investment income		192,398	(192,398)
Benefit payments, including refunds of employee contributions	(69,413)	(69,413)	-
Administrative expense		(893)	893
Other changes		5	(5)
Net changes	102,212	184,214	(82,002)
Balance at 12/31/21	<u>\$ 1,619,616</u>	<u>\$ 1,664,351</u>	<u>\$ (44,735)</u>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 159,061	\$ (44,735)	\$ (213,857)

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 18
September 30, 2022

Note F: TMRS-Pension Plan (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmr.com.

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

For the year ended September 30, 2022, the city recognized pension expense of \$(11,627).

At September 30, 2022, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,334	\$ 2,598
Changes in actuarial assumptions	\$ -	\$ -
Difference between projected and actual investment earnings	\$ -	\$ 97,360
Contributions subsequent to the measure date December 31, 2021	\$ 21,623	\$ -
Total	\$ 29,957	\$ 99,958

\$21,623 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, 2023. 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:	
2022	\$ (13,064)
2023	(39,295)
2024	(20,769)
2025	(18,496)
2026	-
Thereafter	-
Total	\$ (91,624)

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO FINANCIAL STATEMENTS, Page 19
September 30, 2022

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. The SDBF had 783 participating cities on December 31, 2021.

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>17</u>
Total	24

4. Contributions

The City contributes to the SDBF monthly based on the covered payroll of employee members at an actuarially determined rate. There is a one-year delay between the actuarial valuation that serves as the basis for the city's contribution rate and the calendar year when the rate goes into effect.

TMRS pools the SDBF contributions with those of the Pension Trust Fund for investment purposes. The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 20
September 30, 2022

Note G: Supplemental Death Benefits Plan (continued)

	<u>Contribution Rates</u>	
City	<u>2021</u> 0.20%	<u>2022</u> 0.22%
Current Fiscal Year Employer Contributions	\$ 1,679	

5. Actuarial Assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Summary of Actuarial Methods and Assumptions

Valuation Date	December 31, 2021
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount Rate*	1.84%*
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, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 21
September 30, 2022

Note G: Supplemental Death Benefits Plan (continued)

6. Discount Rate

As of December 31, 2021, the discount rate used in the development of the Total OPEB Liability was 1.84% compared to 2.00% as of December 31, 2020. 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, 2021.

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 (1.84%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB Liability	\$ 61,538	\$ 50,633	\$ 42,127

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

At September 30, 2022, the City reported a liability of \$50,633 for total OPEB liability. The total OPEB liability was measured as of December 31, 2021 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, 2021, the discount rate used in the development of the Total OPEB Liability was 1.84% compared to 2.00% as of December 31, 2020. 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, 2022, the City recognized OPEB expense of \$4,837.

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 22
September 30, 2022

Note G: Supplemental Death Benefits Plan (continued)

Change in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/20	\$ 45,643
Changes for the year:	
Service cost	3,642
Interest	943
Change of benefit terms	
Difference between expected and actual experience	(491)
Changes of assumptions	1,539
Benefit payments, including refunds of employee contributions	(643)
Other changes	
Net changes	<u>4,990</u>
Balance at 12/31/21	<u>\$ 50,633</u>

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ -	\$ 9,595
Changes in actuarial assumptions	\$ 9,805	\$ 910
Difference between projected and actual investment earnings	\$ -	\$ -
Total as of Dec. 31, 2021 measurement date	\$ 9,805	\$ 10,505
Contributions paid to TRS subsequent to the measurement date	\$ 1,303	\$ -
Total as of fiscal year-end	<u>\$ 11,108</u>	<u>\$ 10,505</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>
2022	\$ (512)
2023	(816)
2024	(184)
2025	617
2026	195
Thereafter	-

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23
September 30, 2022

Note H: Interfund Transfers

Interfund transfers for the year ended September 30, 2022 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund:</u>		
Water and Sewer Fund	\$ 211,377	\$ -
Total General Fund	\$ 211,377	\$ -
<u>Water and Sewer Fund:</u>		
General Fund	-	\$ 211,377
Total Water and Sewer Fund	-	211,377
<u>Total</u>	<u>\$ 211,377</u>	<u>\$ 211,377</u>

The Water and Sewer Fund transferred \$211,377 to the General Fund in the normal course of business.

Note I: Interfund Balances

There were no interfund balances at September 30, 2022.

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.

From time to time the City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a significant adverse impact on the affected funds of the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ABERNATHY
Abernathy, Texas

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended September 30, 2022

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Property Taxes (Including Penalty & Interest)	\$ 671,349	\$ 671,349	\$ 673,788	\$ 2,439
Sales Taxes	244,800	244,800	275,039	30,239
Franchise Taxes	153,510	153,510	172,218	18,708
Licenses and Permits	7,500	7,500	19,633	12,133
Leases and Rents	64,000	64,000	64,647	647
Court Fees	12,180	12,180	23,137	10,957
Fire	26,400	26,400	20,264	(6,136)
Mosquito Spraying	16,027	16,027	16,143	116
Interest Income	1,100	1,100	9,947	8,847
Sanitation	300,759	300,759	300,769	10
Library	8,106	8,106	6,221	(1,885)
Intergovernmental	72,072	72,072	72,072	-
Donations	-	-	5,000	5,000
Grant Revenues	20,000	139,856	122,606	(17,250)
Paving Liens	-	-	31,337	31,337
Insurance Proceeds	-	86,500	82,226	(4,274)
Miscellaneous	5,999	5,999	25,473	19,474
<u>Total Revenues</u>	<u>1,603,802</u>	<u>1,810,158</u>	<u>1,920,520</u>	<u>110,362</u>
<u>Expenditures</u>				
Current				
City Hall	114,789	114,789	104,961	9,828
Legislative	7,000	7,000	6,070	930
Administrative	203,016	203,016	182,533	20,483
Sanitation Department	232,040	232,040	201,255	30,785
Streets	567,456	317,456	306,694	10,762
Fire Department	190,754	305,754	293,864	11,890
Police Department	486,229	623,585	623,239	346
Library	51,097	54,097	53,847	250
Health and Welfare	178,296	178,296	169,974	8,322
Judicial	46,814	46,814	34,118	12,696
Parks	7,640	7,640	6,302	1,338
Capital Outlay	-	-	-	-
<u>Total Expenditures</u>	<u>2,085,131</u>	<u>2,090,487</u>	<u>1,982,857</u>	<u>107,630</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In/(Out)	489,656	289,656	211,377	(78,279)
Sale of Capital Assets	-	-	15,000	15,000
<u>Total Other Sources (Uses)</u>	<u>489,656</u>	<u>289,656</u>	<u>226,377</u>	<u>(63,279)</u>
Net Change in Fund Balances	8,327	9,327	164,040	154,713
Fund Balance, Beginning of Year	<u>1,038,974</u>	<u>1,038,974</u>	<u>1,038,974</u>	<u>-</u>
<u>Fund Balance, End of Year</u>	<u>\$ 1,047,301</u>	<u>\$ 1,048,301</u>	<u>\$ 1,203,014</u>	<u>\$ 154,713</u>

CITY OF ABERNATHY
Abernathy, Texas

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

	Measurement Year							
	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Total Pension Liability								
Service Cost	\$ 55,344	\$ 54,843	\$ 52,480	\$ 51,931	\$ 53,728	\$ 49,481	\$ 53,095	\$ 48,256
Interest (on the Total Pension Liability)	101,950	96,760	92,132	91,864	87,927	79,999	74,384	70,961
Changes of benefit terms	-	-	-	-	8,929	-	-	-
Difference between expected and actual experience	14,331	(12,588)	(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	(69,413)	(55,330)	(77,745)	(114,351)	(55,084)	(43,090)	(44,944)	(62,277)
Net change in Total Pension Liability	102,212	83,685	56,174	(14,617)	97,795	112,399	123,416	37,813
Total Pension Liability - Beginning	1,517,404	1,433,719	1,377,545	1,392,162	1,294,367	1,181,968	1,058,552	1,020,739
Total Pension Liability - Ending (a)	<u>\$ 1,619,616</u>	<u>\$ 1,517,404</u>	<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>
Plan Fiduciary Net Position								
Contributions - employer	26,411	27,710	27,545	28,357	24,316	21,196	25,584	23,562
Contributions - employee	35,706	35,986	34,346	34,165	36,302	33,433	34,567	32,728
Net investment income	192,398	103,744	185,341	(38,660)	156,528	70,850	1,524	56,262
Benefit payments, including refunds of employee contributions	(69,413)	(55,330)	(77,745)	(114,351)	(55,084)	(43,090)	(44,944)	(62,277)
Administrative expense	(893)	(672)	(1,049)	(748)	(812)	(801)	(928)	(587)
Other	5	(26)	(31)	(39)	(41)	(43)	(46)	(48)
Net Change in Plan Fiduciary Net Position	184,214	111,412	168,407	(91,276)	161,209	81,545	15,757	49,640
Plan Fiduciary Net Position - Beginning	1,480,137	1,368,725	1,200,318	1,291,594	1,130,385	1,048,840	1,033,083	983,443
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,664,351</u>	<u>\$ 1,480,137</u>	<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>
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (44,735)	\$ 37,267	\$ 64,994	\$ 177,227	\$ 100,568	\$ 163,982	\$ 133,128	\$ 25,469
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	102.76%	97.54%	95.47%	87.13%	92.78%	87.33%	88.74%	97.59%
Covered Employee Payroll	\$ 714,112	\$ 719,729	\$ 686,910	\$ 683,306	\$ 726,049	\$ 668,661	\$ 691,341	\$ 654,559
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	-6.26%	5.18%	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				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	\$ 3,642	\$ 2,447	\$ 1,443	\$ 1,982	\$ 1,815
Interest (on the Total OPEB Liability)	943	1,108	1,544	1,522	1,538
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(491)	(2,944)	(10,965)	(4,225)	-
Change of assumptions	1,539	6,423	7,068	(2,498)	2,720
Benefit payments, including refunds of employee contributions	(643)	(936)	(893)	(820)	(944)
Net change in Total OPEB Liability	4,990	6,098	(1,803)	(4,039)	5,129
Total OPEB Liability - Beginning	45,643	39,545	41,348	45,387	40,258
Total OPEB Liability - Ending	<u>\$ 50,633</u>	<u>\$ 45,643</u>	<u>\$ 39,545</u>	<u>\$ 41,348</u>	<u>\$ 45,387</u>
 Covered Employee Payroll	 \$ 714,112	 \$ 719,729	 \$ 686,910	 \$ 683,306	 \$ 726,049
 Total OPEB Liability/(Asset) as a Percentage of Covered Payroll	 7.09%	 6.34%	 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)

	Fiscal Year September 30,							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 28,587	\$ 26,571	\$ 26,733	\$ 27,785	\$ 27,594	\$ 25,332	\$ 24,273	\$ 25,857
Contributions in relation to the actuarially determined contribution	<u>28,587</u>	<u>26,571</u>	<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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 780,496	\$ 710,274	\$ 687,508	\$ 687,947	\$ 686,904	\$ 719,274	\$ 679,295	\$ 702,382
Contributions as a percentage of covered employee payroll	3.66%	3.74%	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 September 30,				
	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 1,679	\$ 1,562	\$ 1,889	\$ 1,995	\$ 1,855
Contributions in relation to the actuarially determined contribution	<u>1,679</u>	<u>1,562</u>	<u>1,889</u>	<u>1,995</u>	<u>1,855</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 780,496	\$ 710,274	\$ 687,508	\$ 687,947	\$ 686,904
Contributions as a percentage of covered employee payroll	0.22%	0.22%	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, 2022

Schedule of Pension Contributions – TMRS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Other Information:

Notes

There were no benefit changes during the year.

CITY OF ABERNATHY
Abernathy, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2022

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*

1.84%

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, 2021.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ABERNATHY
Abernathy, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended September 30, 2022

Years Ended September 30	Balance 10/01/20	Add: Current Levy	Less: Collections	Total Year's Adjustments	Balance 09/30/21
2013 and Prior	\$ 6,913	\$ -	\$ 696	\$ (455)	\$ 5,762
2014	1,993	-	125	(280)	1,588
2015	3,015	-	245	(279)	2,491
2016	3,098	-	460	(186)	2,452
2017	4,478	-	674	(315)	3,489
2018	4,864	-	816	(327)	3,721
2019	8,390	-	1,587	(454)	6,349
2020	11,263	-	2,902	(327)	8,034
2021	18,907	-	6,785	(355)	11,767
2022	<u>-</u>	<u>691,984</u>	<u>645,258</u>	<u>(24,334)</u>	<u>22,392</u>
<u>Totals</u>	<u>\$ 62,921</u>	<u>\$ 691,984</u>	<u>\$ 659,548</u>	<u>\$ (27,312)</u>	<u>\$ 68,045</u>

Terry & King, CPAs, P.C.

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

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

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Abernathy, Texas, as of and for the year ended September 30, 2022, 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 April 7, 2023.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of 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 or significant deficiencies may exist that were not identified.

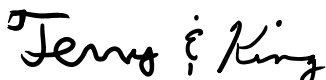
Report on Compliance and Other Matters

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

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

Terry & King, CPAs, P.C.
Lubbock, Texas
April 7, 2023

CITY OF ABERNATHY
Abernathy, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

A. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

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

Noncompliance material to financial statements
noted? Yes X 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, 2022

<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, 2022

Not Applicable – None Required