

ANNUAL FINANCIAL REPORT

CITY OF FREEPORT, TEXAS

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

CITY OF FREEPORT, TEXAS
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REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and
Members of the City Council
City of Freeport, Texas

Report on Financial Statements

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

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Honorable Mayor and
Members of the City Council
City of Freeport, Texas

Opinions

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

Other Matters


Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and budgetary comparison information, pension system and other post-employment benefit supplementary information on pages 57 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining fund statements and debt service budgetary comparison schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund statements and debt service budgetary comparison schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole and debt service budgetary comparison schedule.


Houston, Texas
April 6, 2021

CITY OF FREEPORT, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Freeport (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020.

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$28.4 million (*net position*). Of this amount, \$2.1 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$0.9 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16.4 million, an increase of \$6.6 million over the prior year. Approximately 43% of this total amount, \$7.0 million, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was 46% of total general fund expenditures.
- The City's long-term debt increased by \$6.3 million over the prior year due to the issuance of certificates of obligation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, economic development, public safety, streets and drainage, sanitation, service center, and culture and recreation. The business-type activities of the City include the operations of the water and sewer system. The government-wide financial statements can be found on pages 13 through 15 of this report.

CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund which is considered to be a major fund. Data from the other five governmental funds are combined into a single, aggregated presentation.

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

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

Proprietary Fund

The City maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer utility.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operating fund that is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 54 of this report.

CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees and general fund budgetary comparisons. Required supplementary information can be found on pages 57 through 62 of this report

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found beginning on page 68 of the City's financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$28.4 million (net position). At the end of the current fiscal year, the City was able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

By far, the largest portion of the City's net position (88.7%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (4.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, 7.3% or \$2.1 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table summarizes the financial position of the City as of September 30, 2020 and 2019.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 18,295	\$ 11,883	\$ 1,143	\$ 748	\$ 19,438	\$ 12,631
Capital assets	17,670	17,998	8,486	8,615	26,156	26,613
Total Assets	35,965	29,881	9,629	9,363	45,594	39,244
Deferred Outflows of Resources	1,052	2,050	13	25	1,065	2,075
Current and other liabilities	1,079	1,177	1,091	536	2,170	1,713
Long-term liabilities	14,747	10,099	67	94	14,814	10,193
Total Liabilities	15,826	11,276	1,158	630	16,984	11,906
Deferred Inflows of Resources	1,242	106	15	1	1,257	107
Net position:						
Net investment in capital assets	16,719	15,803	8,486	8,615	25,205	24,418
Restricted	1,146	978	-	-	1,146	978
Unrestricted	2,084	3,768	(17)	142	2,067	3,910
Total Net Position	\$ 19,949	\$ 20,549	\$ 8,469	\$ 8,757	\$ 28,418	\$ 29,306

The City's net position decreased by 3.1% or \$0.9 million during the current fiscal year due to normal operations of the City.

CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following table summarizes the changes in net position for the City for the years ended September 30, 2020 and 2019.

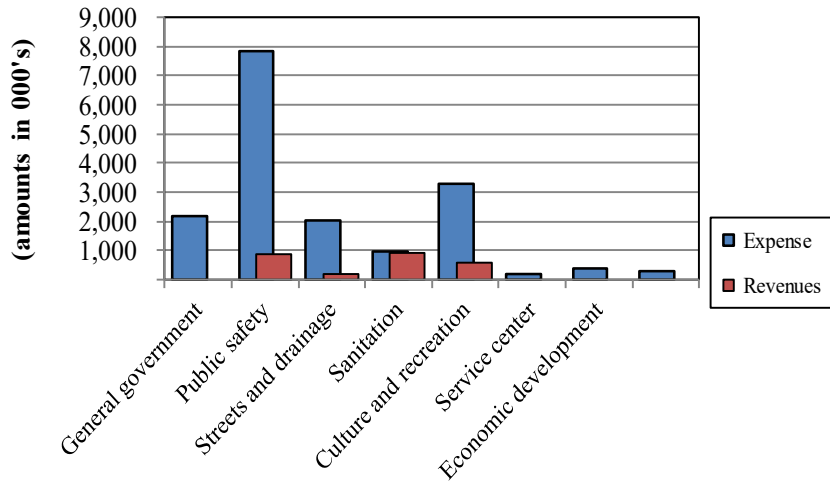
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenue:						
Charges for services	\$ 2,306	\$ 2,498	\$ 4,794	\$ 4,844	\$ 7,100	\$ 7,342
Operating grants and contributions	210	224	16	276	226	500
Capital grants and contributions	78	294	-	-	78	294
General revenues:						
Property taxes	3,132	3,124	-	-	3,132	3,124
Industrial payments	7,640	7,533	-	-	7,640	7,533
Sales and use taxes	3,072	3,280	-	-	3,072	3,280
Franchise taxes	606	615	-	-	606	615
Unrestricted investment earnings	93	251	-	2	93	253
Miscellaneous	506	444	-	-	506	444
Total Revenues	17,643	18,263	4,810	5,122		23,385
Expenses:						
General government	2,177	2,160	-	-	2,177	2,160
Public safety	7,850	8,061	-	-	7,850	8,061
Streets and drainage	2,055	1,851	-	-	2,055	1,851
Sanitation	981	900	-	-	981	900
Culture and recreation	3,290	3,701	-	-	3,290	3,701
Service center	206	222	-	-	206	222
Economic development	392	383	-	-	392	383
Interest on long-term debt	292	115	-	-	292	115
Water and sewer	-	-	6,098	5,738	6,098	5,738
Total Expenses	17,243	17,393	6,098	5,738	23,341	23,131
Increase in net position before transfers	400	870	(1,288)	(616)	(888)	254
Transfers	(1,000)	(959)	1,000	959		
Change in net position	(600)	(89)	(288)	343	(888)	254
Net position - beginning	20,549	20,638	8,757	8,414	29,306	29,052
Net position - ending	\$ 19,949	\$ 20,549	\$ 8,469	\$ 8,757	\$ 28,418	\$ 29,306

CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

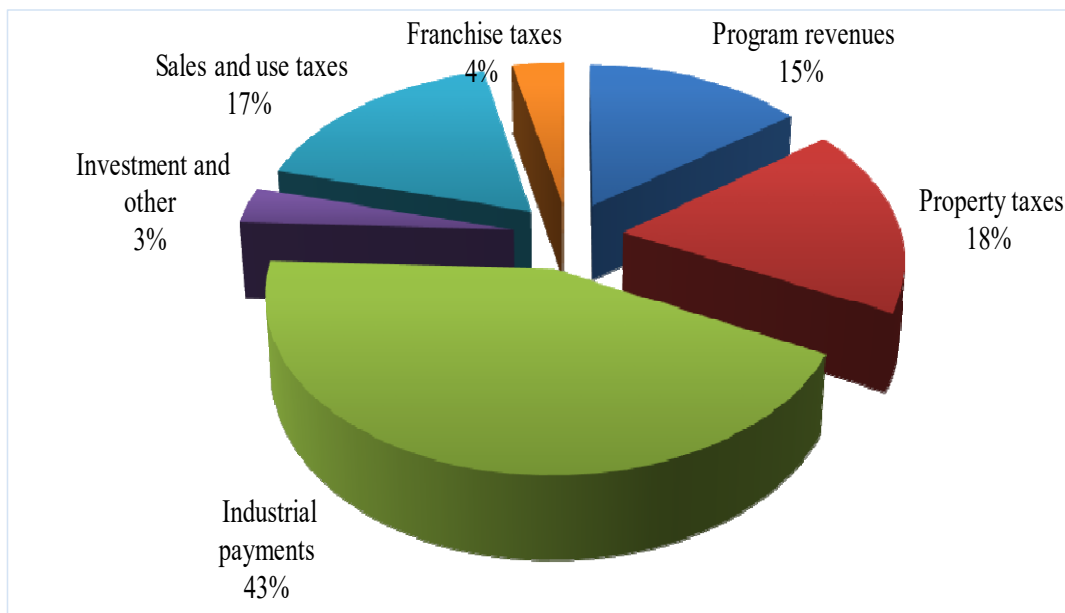
Governmental Activities

Governmental activities decreased the City's net position by approximately \$0.6 million due to normal operations.

A comparison of program expenses to program revenues follows:



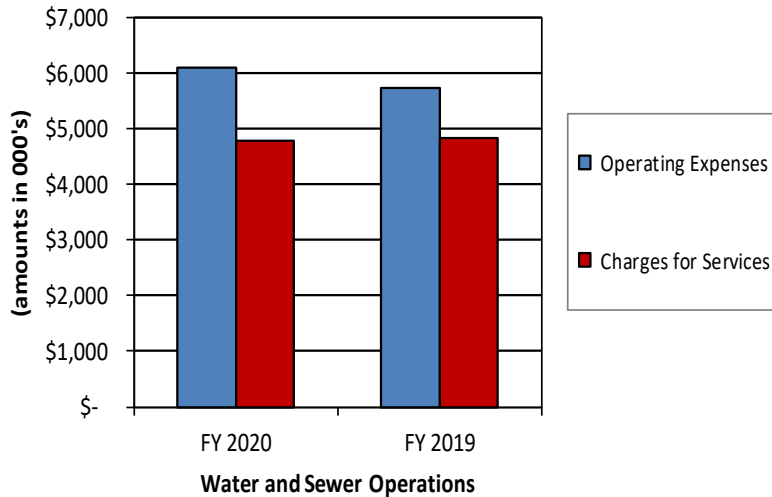
Revenue sources for governmental activities were distributed as follows:



CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Business-type Activities

Business-type activities decreased the City's net position by (\$0.3)million. A comparison between expenses relating to water and sewer operations and program revenues (charges for services) for fiscal years 2020 and 2019 follows:



Revenue sources for business-type activities were almost entirely charges for water and sewer services.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$7.0 million. The unassigned fund balance decreased by \$3.1 million from fiscal year 2019 due to transfers to the water and sewer fund and transfers to non-major funds to cover capital outlay items.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 46% of annual general fund expenditures for the 2020 fiscal year.

CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements.

Unrestricted net position (deficit) in the Water and Sewer Enterprise Fund at the end of the year amounted to approximately \$17,000. Plans to rebuild the deficit net position include raising water and sewer rates and reviewing the outsourcing of the maintenance and operations of the department.

General Fund Budgetary Highlights

Actual revenues differed from budgeted revenues by \$0.7 million primarily as a result of lower than expected sales tax revenue.

Appropriations in the final budget exceeded actual expenditures by \$2.5 million. Actual expenditures for public safety and streets and drainage were less than appropriations in the final budget by \$0.1 million and \$0.0 million, respectively, due to capital improvements that were budgeted in fiscal year 2020 but did not occur or were to take place in the next fiscal year.

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounted to \$26.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, park facilities, water and sewer plants and service lines, machinery and equipment, and construction in progress. Capital asset balances increased by approximately (\$0.5) million from the prior year due to contributions and construction of infrastructure.

The following table shows the balances at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Governmental Activities		
Capital assets, not being depreciated:		
Land	\$ 4,915	\$ 4,915
Construction in progress	-	551
Capital assets being depreciated:		
Streets and improvements	7,377	6,923
Buildings and improvements	2,267	1,723
Furniture, equipment, and vehicles	3,111	3,886
Total capital assets - Governmental Activities	<u>\$ 17,670</u>	<u>\$ 17,998</u>
Business-type Activities		
Capital assets, not being depreciated:		
Land	\$ 56	\$ 56
Capital assets being depreciated:		
Water and sewer infrastructure	8,345	8,559
Total capital assets - Business-Type Activities	<u>\$ 93,676</u>	<u>\$ 8,615</u>

Additional information on the City's capital assets can be found in Note 5 to the basic financial statements of this report.

CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Long-term Liabilities

At the end of the current fiscal year, the City had total debt outstanding of \$8.5 million. This is an increase from the prior year of \$6.3 million due to the issuance of certificates of obligation. The entire amount of debt is backed by the full faith and credit of the City. A schedule of long-term liabilities at September 30, 2020 and 2019 follows (in \$000's):

	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 1,080	\$ 1,797
Notes payable/capital leases	1,115	1,073
	<u>\$ 2,195</u>	<u>\$ 2,870</u>

The City has no legal debt limit provision in its charter. Additional information on the City's long-term debt can be found in Note 6 to the basic financial statements of this report.

Economic Factors and Next Year's Budget and Rates

Each year the budget is prepared on key objectives and assumptions.

The property tax rate for fiscal 2021 (tax year 2020) went from \$.628005 per \$100 of assessed value for fiscal year 2020 (tax year 2019) to \$0.0615859. The Maintenance and Operation rate decreased by \$0.012146 per \$100 of assessed value while the Interest and Sinking rate was the same amount. Property tax revenue for the City is budgeted \$90,567 higher than the previous year which is a 1.90% increase. Of this revenue, all of it is expected be from new property added to the tax roll.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the Finance Director, City of Freeport, 200 W. 2nd Street, Freeport, TX 77541

BASIC FINANCIAL STATEMENTS

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CITY OF FREEPORT, TEXAS
STATEMENT OF NET POSITION
September 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 16,445,604	\$ 586,956	\$ 17,032,560
Receivables, net of allowance	1,906,088	499,084	2,405,172
Internal balances	(56,607)	56,607	-
Capital assets, not subject to depreciation:			
Land	4,915,116	56,200	4,971,316
Capital assets, net of depreciation:			
Streets and improvements	7,377,353	-	7,377,353
Buildings and improvements	2,266,501	-	2,266,501
Furniture, equipment, & vehicles	3,110,904	-	3,110,904
Water and Sewer System	-	8,429,887	8,429,887
Total Capital Assets	<u>17,669,874</u>	<u>8,486,087</u>	<u>26,155,961</u>
Total Assets	<u>35,964,959</u>	<u>9,628,734</u>	<u>45,593,693</u>
Deferred Outflows of Resources			
Deferred outflows of resources for pensions	940,898	12,100	952,998
Deferred outflows of resources for OPEB	110,625	1,000	111,625
Total Deferred Outflows of Resources	<u>1,051,523</u>	<u>13,100</u>	<u>1,064,623</u>
Liabilities			
Accounts payable	502,123	820,430	1,322,553
Accrued liabilities	559,651	4,675	564,326
Unearned revenue	16,893	-	16,893
Accrued interest	63,873	-	63,873
Customer deposits	-	266,669	266,669
Noncurrent liabilities:			
Due within one year	635,699	2,758	638,457
Due in more than one year	8,743,809	618	8,744,427
Net Pension Liability	4,566,013	58,800	4,624,813
Total OPEB liability	737,904	4,700	742,604
Total Liabilities	<u>15,825,965</u>	<u>1,158,650</u>	<u>16,984,615</u>
Deferred Inflows of Resources			
Deferred intflows of resources for pensions	1,107,857	14,300	1,122,157
Deferred intflows of resources for OPEB	134,200	400	134,600
Total Deferred Inflows of Resources	<u>1,242,057</u>	<u>14,700</u>	<u>1,256,757</u>
Net Position			
Net investment in capital assets	16,718,663	8,486,087	25,204,750
Restricted for:			
Debt service	28,442	-	28,442
Capital projects			-
Municipal court operations	144,401	-	144,401
Economic development	973,101	-	973,101
Unrestricted	2,083,853	(17,603)	2,066,250
Total Net Position	<u>\$ 19,948,460</u>	<u>\$ 8,468,484</u>	<u>\$ 28,416,944</u>

CITY OF FREEPORT, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 2,177,198	\$ -	\$ -	\$ -
Public safety	7,849,328	664,386	195,923	-
Streets and drainage	2,054,871	126,330	-	77,749
Sanitation	980,664	928,460	-	-
Service Center	206,309	-	-	-
Culture and recreation	3,289,940	586,772	14,153	-
Economic development	391,965	-	-	-
Interest on long-term debt	292,488	-	-	-
Total governmental activities	17,242,763	2,305,948	210,076	77,749
Business-type activities:				
Water and sewer	6,097,747	4,793,661	15,510	-
Total business-type activities	6,097,747	4,793,661	15,510	-
Total primary government	\$ 23,340,510	\$ 7,099,609	\$ 225,586	\$ 77,749
General revenues:				
Taxes:				
Property taxes				
Sales and use taxes				
Franchise taxes				
Industrial district revenues				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net Position - beginning				
Net Position - Ending				

Net (Expense) Revenue and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,177,198)	\$ -	\$ (2,177,198)
(6,989,019)	-	(6,989,019)
(1,850,792)	-	(1,850,792)
(52,204)	-	(52,204)
(206,309)	-	(206,309)
(2,689,015)	-	(2,689,015)
(391,965)	-	(391,965)
(292,488)	-	(292,488)
<u>(14,648,990)</u>	<u>-</u>	<u>(14,648,990)</u>
<u>-</u>	<u>(1,288,576)</u>	<u>(1,288,576)</u>
<u>-</u>	<u>(1,288,576)</u>	<u>(1,288,576)</u>
<u>(14,648,990)</u>	<u>(1,288,576)</u>	<u>(15,937,566)</u>
3,131,970	-	3,131,970
3,071,617	-	3,071,617
606,253	-	606,253
7,640,258	-	7,640,258
92,308	383	92,691
506,318	-	506,318
<u>(1,000,000)</u>	<u>1,000,000</u>	<u>-</u>
<u>14,048,724</u>	<u>1,000,383</u>	<u>15,049,107</u>
(600,266)	(288,193)	(888,459)
<u>20,548,726</u>	<u>8,756,677</u>	<u>29,305,403</u>
<u>\$ 19,948,460</u>	<u>\$ 8,468,484</u>	<u>\$ 28,416,944</u>

CITY OF FREEPORT, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2020

	General Fund	2020 CO Bond CIP Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 7,301,996	\$ 8,004,471	\$ 1,139,138	\$ 16,445,605
Receivables, net of allowance			-	
Taxes receivables	517,576	-	284,961	802,537
Customer accounts	594,522	-	-	594,522
Other receivables	337,628	-	-	337,628
Due from other funds	28,825	-	56,839	85,664
Due from other governments	171,401	-	-	171,401
Total Assets	<u>\$ 8,951,948</u>	<u>\$ 8,004,471</u>	<u>\$ 1,480,938</u>	<u>\$ 18,437,357</u>
Liabilities				
Accounts payable	\$ 461,404	\$ -	\$ 40,719	\$ 502,123
Accrued liabilities	559,651	-	-	559,651
Due to other funds	113,446	-	28,825	142,271
Unearned revenues	-	-	16,893	16,893
Total Liabilities	<u>1,134,501</u>	<u>-</u>	<u>86,437</u>	<u>1,220,938</u>
Deferred Inflows of Resources				
Unavailable revenues	798,438	-	33,411	831,849
Total Deferred Inflows of Resources	<u>798,438</u>	<u>-</u>	<u>33,411</u>	<u>831,849</u>
Fund Balances (Deficits)				
Restricted:				
Debt service	-	-	56,400	56,400
Capital projects	-	8,004,471	187,188	8,191,659
Municipal court operations	-	-	144,401	144,401
Economic Development	-	-	973,101	973,101
Unassigned	7,019,009	-	-	7,019,009
Total Fund Balances (Deficits)	<u>7,019,009</u>	<u>8,004,471</u>	<u>1,361,090</u>	<u>16,384,570</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,951,948</u>	<u>\$ 8,004,471</u>	<u>\$ 1,480,938</u>	<u>\$ 18,437,357</u>

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

Total fund balance, governmental funds	\$ 16,384,570
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable	17,669,874
Certain other unavailable assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
Unavailable revenue	831,849
Deferred inflows and outflows related to pension activities	(166,959)
Deferred inflows and outflows related to OPEB activities	(23,575)
Long-term liabilities are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.	
Bonds payable	(8,295,000)
Premiums on bonds	(442,775)
Capital leases payable	(217,907)
Accrued interest payable	(63,873)
Net pension liability	(4,566,013)
Total OPEB liability	(737,904)
Compensated absences	(423,827)
	<hr/>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 19,948,460</u>

CITY OF FREEPORT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	<u>General Fund</u>	<u>2020 CO Bond CIP Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes:				
Property taxes	\$ 2,596,780	\$ -	\$ 553,632	\$ 3,150,412
Sales and use taxes	1,988,720	-	994,360	2,983,080
Franchise fees and other	630,750	-	64,040	694,790
Industrial district	7,640,258	-	-	7,640,258
Fines and forfeitures	227,954	-	21,356	249,310
Licenses and permits	126,330	-	-	126,330
Intergovernmental	380,188	-	-	380,188
Charges for services	1,978,877	-	-	1,978,877
Investment earnings	85,363	4,471	2,506	92,340
Miscellaneous	250,805	-	-	250,805
Lease income	252,566	-	-	252,566
Total Revenues	<u>16,158,591</u>	<u>4,471</u>	<u>1,635,894</u>	<u>17,798,956</u>
Expenditures				
Current:				
General government	1,967,066	-	-	1,967,066
Public safety	7,184,511	-	18,180	7,202,691
Streets and drainage	1,329,570	-	-	1,329,570
Sanitation	980,664	-	-	980,664
Service center	181,985	-	-	181,985
Culture and recreation	2,764,365	-	-	2,764,365
Economic development	-	-	300,656	300,656
Capital outlay	756,239	-	1,268,752	2,024,991
Debt service:				
Principal	122,572	-	1,294,277	1,416,849
Interest and other charges	12,872	177,775	60,499	251,146
Total Expenditures	<u>15,299,844</u>	<u>177,775</u>	<u>2,942,364</u>	<u>18,419,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>858,747</u>	<u>(173,304)</u>	<u>(1,306,470)</u>	<u>(621,027)</u>
Other Financing Sources (Uses)				
Proceeds from issuance of general obligation bonds	-	7,735,000	-	7,735,000
Premium on issuance of bonds	-	442,775	-	442,775
Transfers in	-	-	1,676,594	1,676,594
Transfers out	(2,663,360)	-	(13,234)	(2,676,594)
Total other financing sources (uses)	<u>(2,663,360)</u>	<u>8,177,775</u>	<u>1,663,360</u>	<u>7,177,775</u>
Net changes in fund balances	(1,804,613)	8,004,471	356,890	6,556,748
Fund balances - beginning	<u>8,823,622</u>	<u>-</u>	<u>1,004,200</u>	<u>9,827,822</u>
Fund balances - ending	<u>\$ 7,019,009</u>	<u>\$ 8,004,471</u>	<u>\$ 1,361,090</u>	<u>\$ 16,384,570</u>

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

Net change in fund balances - total governmental funds: \$ 6,556,748

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The capital asset expenditures are allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital Outlay	2,206,723
Depreciation	(2,449,970)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the book value of the asset sold.

(84,839)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Unavailable property tax revenue	(18,442)
Unavailable fines and forfeiture's	(112,517)
Unavailable EMS revenue	156,462
Unavailable FEMA Disaster Recovery revenue	-

Contributions are treated as expenditures in the fund based financial statements, but are treated as reductions in the City's net pension/OBEB liability in the statement of net position. This amount is the difference between contributions and net pension/OPEB expense (revenue) for the current fiscal year.

Pension related activities	(33,804)
OPEB related activities	38,300

Governmental funds report proceeds from long-term debt as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of long-term debt principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Debt service principal	1,416,849
Proceeds from issuance of long-term debt	(8,177,775)

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

(Increase) decrease in accrued interest	(43,519)
(Increase) decrease in compensated absences	38,033

Change in net position of governmental activities \$ (507,751)

CITY OF FREEPORT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2020

	Business-type Activities
	Water and Sewer
Assets	
Current assets:	
Cash and cash equivalents	\$ 586,956
Receivables, net of allowance	
Customer accounts	440,941
Due from other funds	56,607
Receivables from other governments	<u>58,143</u>
Total Current Assets	<u>1,142,647</u>
Non-current assets:	
Capital Assets	
Land	56,200
Utility system	25,658,325
Equipment and furniture	232,040
Less accumulated depreciation	<u>(17,460,478)</u>
Total Non-Current Assets	<u>8,486,087</u>
Total Assets	<u>9,628,734</u>
Deferred Outflows of Resources	
Deferred outflows of resources for pensions	12,100
Deferred outflows of resources for OPEB	<u>1,000</u>
Total Deferred Outflows of Resources	<u>13,100</u>
Liabilities	
Current liabilities:	
Accounts payable	820,430
Accrued liabilities	4,675
Customer deposits	<u>266,669</u>
Total Current Liabilities	<u>1,091,774</u>
Non-current liabilities:	
Compensated absences	3,376
Net pension liability	58,800
Total OPEB liability	<u>4,700</u>
Total Non-Current Liabilities	<u>66,876</u>
Total Liabilities	<u>1,158,650</u>
Deferred Inflows of Resources	
Deferred inflows of resources for pensions	14,300
Deferred inflows of resources for OPEB	<u>400</u>
Total Deferred Inflows of Resources	<u>14,700</u>
Net Position	
Investment in capital assets	8,486,087
Unrestricted	<u>(17,603)</u>
Total Net Position	<u>\$ 8,468,484</u>

CITY OF FREEPORT, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended September 30, 2020

	Business-type Activities
	<u>Water and Sewer</u>
Operating Revenues	
Charges for services	\$ 4,793,661
Total Operating Revenues	<u>4,793,661</u>
Operating Expenses	
Personnel services	126,801
Supplies	21,578
Contracted services	2,585,675
Other	409,980
Water purchased	2,415,600
Depreciation	525,789
Total Operating Expenses	<u>6,085,423</u>
Operating income (loss)	<u>(1,291,762)</u>
Non-Operating Revenues (Expenses)	
Interest and investment revenue	383
Operating grants and contributions	3,186
Total Non-Operating Revenues (Expenses)	<u>3,569</u>
Income (loss) before transfers	(1,288,193)
Transfers in	<u>1,000,000</u>
Change in net position	(288,193)
Net position - beginning	<u>8,756,677</u>
Net position - ending	<u>\$ 8,468,484</u>

CITY OF FREEPORT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2020

	Business-type Activities
	Water and Sewer
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 5,160,367
Cash payments to employees for services	(127,200)
Cash payments to suppliers for goods and services	(5,064,217)
Net cash provided by (used for) operating activities	<u>(31,050)</u>
Cash Flows from Noncapital Financing Activities	
Transfers from other funds	1,000,000
Net cash (used for) by noncapital financing activities	<u>1,000,000</u>
Cash Flows From Capital and Related Financing Activities	
Transfer of proceeds to fiscal agent	3,187
Acquisition and construction of capital assets	(396,947)
Net cash provided by (used for) capital and related financing activities	<u>(393,760)</u>
Cash Flows From Investing Activities	
Investment earnings	383
Net cash provided by investing activities	<u>383</u>
Net increase (decrease) in cash and cash equivalents	575,573
Cash and cash equivalents - beginning of year	<u>11,383</u>
Cash and cash equivalents - end of year	<u>\$ 586,956</u>
Reconciliation of operating lincome (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (1,291,762)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	525,789
(Increase) decrease in accounts receivable	368,923
(Increase) decrease in prepaid expenses	
(Increase) decrease in pension deferred outflows	13,000
(Increase) decrease in OPEB deferred outflows	(800)
Increase (decrease) in interfund payables	(187,901)
Increase (decrease) in accounts payable	556,517
Increase (decrease) in other liabilities	621
Increase (decrease) in customer deposits	(2,217)
Increase (decrease) in accrued compensated absences	(3,520)
Increase (decrease) in OPEB liability	900
Increase (decrease) in net pension liability	(24,200)
Increase (decrease) in pension deferred inflows	13,500
Increase (decrease) in OPEB deferred inflows	100
Total adjustments	<u>1,260,712</u>
Net cash provided by (used for) operating activities	<u>\$ (31,050)</u>

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1 - Organization

The City of Freeport (City) operates under a Home Rule Charter adopted in a special election on June 20, 1960. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public services, streets and drainage, sanitation, health and building inspections, culture-recreation, public improvements, planning and zoning, and general administrative services.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

Primary government

The City is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the City's financial reporting entity. Based on these considerations, the City's basic financial statements do not include any other entities. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The members of City council (the "members") are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is considered a primary government for financial reporting purposes.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Blended Component Units

Freeport Economic Development Corporation

The City Council authorized the creation and approved the Articles of Incorporation and the Bylaws of the Freeport Economic Development Corporation (the Corporation). The Articles of Incorporation were filed with the Office of the Secretary of State of Texas on December 20, 1999. The Corporation, a nonprofit corporation, organized under Section 4B of the development Corporation Act of 1979 was created to act on behalf of the City in the promotion and financing of projects so as to promote the public welfare.

The Corporation is governed by a seven member board of directors appointed by the City Council. All projects must have prior approval of the City Council. The voters of Freeport approved collection of a one-half cent sales tax, effective November 2, 1999, to fund the cost of land, buildings, equipment, facilities, improvements and maintenance and operation costs for public park purposes, recreational facilities and infrastructure improvements for development of new or expanded business enterprises. In prior years, the Freeport Economic Development Corporation (the "Corporation") provided services entirely or, almost entirely, to the City or otherwise exclusively or almost exclusively benefited the City even though it did not provide services directly to it and is reported as a blended component unit. However, during the years ended September 30, 2007 through 2014, the Corporation constructed and entered into a long-term lease for a marina with a company unrelated to the City. Because of this, the City was reported as a discretely presented component unit until it divested itself of the marina operations. During the current year, it was reported as a blended component unit.

Tax Increment Reinvestment Zone No. 1 ("TIRZ No. 1")

On December 2, 2019, the City passed ordinance No. 2019-2590 designating a 345 acre tract of land to promote development along the Brazos River and the downtown area of the City. It creates dedicated funding for infrastructure within the district and an incentive for people to come and do business through the TIRZ from the additional property tax dollars generated in the district as a result of development. This district is set to collect 50% of the incremental new tax dollars generated to plug back into the district to foster additional development. The operations of the TIRZ are set to continue through December 31, 2049. The TIRZ can be dissolved at an earlier time if a subsequent ordinance is passed by the City and all subsequent issuances of tax increment bonds including interest, if any, along with project costs are paid in full.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its blended component units. For the most part, the effect of interfund activity has been eliminated from these statements. However, interfund services provided and used are not eliminated in the consolidation process. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are designated to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Property taxes collected within 60 days subsequent to September 30, 2020, have not been recorded as revenue as the amount is not considered material. Franchise taxes and sales taxes relating to underlying transactions that occurred prior to September 30, 2020, have been recorded as receivables and revenue. Licenses and permits and fines are not susceptible to accrual since they are not measurable until received. Revenue on federal and state cost-reimbursement grants is accrued when the related expenditures are incurred. Interest is recorded when earned.

The City reports two major governmental funds:

The *General Fund* is used to account for all financial transactions that are not accounted for in other funds of the City. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses and permits, and fines and forfeitures. Expenditures are for general government, public safety, public works and parks and recreation.

The 2020 CO Bond CIP Fund is used to account for the proceeds from and expenditures of the 2020 certificates of obligation.

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The City reports one major proprietary fund:

The *Water and Sewer Enterprise Fund* is used to account for operations of the water and sewer division and the construction of related facilities. The fund is financed and operated in a manner similar to private business enterprises -- where the intent of the City is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), impact fees and other City funds.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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 the proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. Operational expenses for the fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

Net position is categorized into three components – net investment in capital assets, restricted, and unrestricted. These classifications are as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of the balance of net position that does not meet the definition of the other components noted above.

D. Cash and Cash Equivalents

The City reports cash and cash equivalents in the City's statement of cash flows for Proprietary Fund types and in all other financial statements of financial position. The City considers cash and cash equivalents to be cash on hand, demand deposits, certificates of deposit, balances in public funds investment pools and short-term investments with original maturities of three months or less from the date of acquisition.

The City's local government investment pools are recorded at amortized costs.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

E. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles.

The City levies taxes on or about October 1, of each year. Property taxes attach as an enforceable lien on property as of January 1. These taxes are due by January 31, and are considered delinquent after that date, at which time interest is charged at a rate established by the state property tax code. Collections made on or after July 1, are subject to an additional fifteen percent collection fee. Property tax revenue is recognized when levied to the extent that they are available. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2020 was \$0.62800 per \$100 of assessed valuation.

F. Inventories and Prepaid Items

In accordance with the consumption method of accounting, both inventories and prepaid items of governmental funds are recorded as expenditures when consumed rather than when purchased.

Inventories of the General and Enterprise Funds are valued at the lesser of cost (weighted moving average) or fair value. Inventories for all funds consist of expendable supplies held for consumption, and the cost thereof is recorded as an expense/expenditure at the time the inventory items are issued (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records exist. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, including public domain, and equipment are capitalized and depreciated over the remaining useful lives of the related capital assets using the straight-line method, as applicable.

<u>Asset</u>	<u>Estimated Useful Lives</u>
Utility Plant	40 years
Vehicles and Equipment	5-15 years
Building and improvements	10-20 years

Note 2 - Summary of Significant Accounting Policies (continued)

H. Compensated Absences

Employees earn vacation based on years of service with the City. In accordance with GAAP, the liability for accumulated vacation at September 30, 2020, has been recorded as a liability in the Government-Wide Statement of Net Position.

Eligible City employees accrue vacation time monthly at various rates based on length of service with the City. Employees may elect to carry over a maximum of fifteen (15) days past his/her yearly anniversary date. It is possible for employees to have accrued vacation time at September 30, which has not yet been lost. The City's sick leave policy provides fifteen paid sick days per year for full-time employees. Unused sick leave can be accumulated to a maximum of ninety (90) days.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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/reduction of liability) until then. The City has the following items that qualify for reporting in this category.

- Deferred outflows of resources for pension - Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the City's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the plan.
- Deferred outflows of resources for other post-employment benefits ("OPEB") - Reported in the government wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments and 2) changes in the City's proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period. The remaining OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

I. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position and/or balance sheet 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 or reduction of expense) until that time. The City has the following items that qualify for reporting in this category.

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes, EMS services, and other miscellaneous items arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the City’s proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows of resources for other post-employment benefits (“OPEB”) – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan.

J. Debt Service

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

K. Use of Estimates

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

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

L. Fund Equity

In the fund financial statements, the City categorizes portions of fund balance into categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balance – amounts that are subject to external restrictions from creditors, grantors, contributors, or laws of other governments.

Committed fund balance - amounts constrained for specific purposes as determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by City Council. City Council will approve obligations of funds, such as multiyear contracts, prior to the end of the fiscal year.

Assigned fund balance - amounts the City intends to use for a specific purpose that is neither restricted or committed and includes the remaining positive fund balance of all governmental funds except for the General Fund. Balances for encumbrances, other than those committed by City Council, fall into this category. Under the City's adopted policy, Resolution No. 465, intent to assign fund balance can be established by City Council or delegated to the City Administrator.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City's council meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The City's Unassigned General Fund Balance is maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the council. Fund Balance of the City may be committed for a specific source by formal action of the council. Amendments or modifications of the committed fund balance must also be approved by formal action by the council. When it is appropriate for fund balance to be assigned, the City council has delegated authority to the City Manager or the Finance Director. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, followed by assigned fund balance, and lastly, unassigned fund balance.

M. Revenues and Expenditures/Expenses

In the fund financial statements revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred. Revenues and expenses in the Government-wide Statement of Activities are recognized in essentially the same manner as used in commercial accounting.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

N. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as assigned fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are appropriately provided for in the subsequent year's budget.

O. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company.

P. Other-Post Employment Benefits (OPEB)

The City provides its retirees the opportunity to maintain health insurance coverage by participating in the City's insurance plan. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. The actual cost recorded in the governmental fund financial statements is the cost of the health benefits incurred on behalf of the retirees less the premiums collected from the retirees.

Additionally, the City participates in a defined-benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company.

Q. New Accounting Standards

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement was issued in March 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders considering the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides applicable to the City including the following:

- Statement No. 84, Fiduciary Activities
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The City plans on implementing GASB No. 84 Fiduciary Activities in fiscal year 2021 and GASB No. 87 Leases in fiscal year 2022.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Deposits and Investments

The City classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose a temporary investment is one that when purchased had a maturity date of three months or less. The City’s bank balances were fully insured or collateralized with securities held by the City’s agent in the City’s name at September 30, 2020.

The following schedule shows the City’s recorded cash and cash equivalents at year-end:

	<u>Carrying Value</u>
Governmental Activities	
Cash on hand	\$ 1,492
Cash deposits	10,054,695
Total cash	<u>10,056,187</u>
Investments:	
Local Government Investment Pools:	
TexPool	<u>6,389,417</u>
Total Governmental Activities	<u>16,445,604</u>
Business-type Activities	
Cash on hand	180
Cash deposits	586,776
Total Business-type Activities	<u>586,956</u>
Total Cash and Investments	<u>\$ 17,032,560</u>

Custodial Credit Risk

Custodial credit risk is the risk that a government will not be able to recover (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. To minimize such risk, the City requires collateralization of most deposits in excess of coverage, utilizes the delivery vs. payment method for investment purchases, and contracts with a third-party custodian as evidenced by safekeeping receipts of the institution with which the securities are deposited. The City requires all deposits with financial institutions be collateralized in an amount equal to 102 percent of uninsured balances.

Under Texas state law, a bank serving as the City depository must have a bond or in lieu thereof, deposited or pledged securities with the City or an independent third party agent, an amount equal to the highest daily balance of all deposits the City may have during the term of the depository contract, less any applicable FDIC insurance. Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under written investment policy (the “investment policy”) that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Deposits and Investments (continued)

Investments

The City’s deposits and investments are invested pursuant to the investment policy, which is approved by the City Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it addresses the priorities of preservation of capital, liquidity, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City’s investment policy and types of investments are governed by the Public Funds Investment Act (PFIA).

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the United States of America, its agencies and instrumentalities.
2. Certificates of Deposit issued by a depository institution that has its main office or a branch in Texas.
3. No-load Money Market Mutual Funds that 1) are registered and regulated by the Securities and Exchange Commission, 2) have a dollar weighted average stated maturity of 90 days or less, 3) seek to maintain a net asset value of \$1.00 per share and 4) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.
4. Local Government Investment Pools, authorized by a separate resolution, which meet the requirements of Chapter 2256.016 of the Public Funds Investment Act and are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service

For fiscal year 2020, the City invested in the State of Texas TexPool. TexPool operates in a manner consistent with the Security and Exchange Commission’s Rule 2a7 of the Investment Company Act of 1940.

TexPool is duly chartered and overseen by the State Comptroller’s Office and administered by Federated Investors, Inc. The State Street Bank is the custodial bank. The portfolio consists of U.S. T-Bills, T-Notes, collateralized repurchase and reverse repurchase agreements, and no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating service. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, and managed by Standish Mellon and American Beacon Advisors. The Bank of New York is the custodial bank.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

Investment Type	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Weighted Average Maturities (Days)</u>
Local Government Investment Pools:			
TexPool	\$ 6,389,417	100%	34

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Deposits and Investments (continued)

Interest rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The City monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the City reduces its exposure to declines in fair values by limiting the weighted average maturity of the composite portfolio to 365 days or less.

Credit Risk

At year-end, balances in TexPool, a privately-managed public fund investment pools rated AAAM by Standard and Poor’s Ratings Services. All credit ratings meet acceptable levels required by guidelines prescribed by both the PFIA and the City’s investment policy.

Note 4 - Receivables

Amounts recorded as receivables as of September 30, 2020, for the government’s individual major and non-major funds, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 218,009	50,112	\$ -	\$ 268,121
Sales taxes	364,970	249,046	-	614,016
Fines and forfeitures	2,641,418	-	-	2,641,418
EMS	480,352	-	-	480,352
Garbage collection	157,808	-	-	157,808
Water and Sewer	-	-	589,974	589,974
Other Governments	171,401	-	58,143	229,544
Other	337,628	-	-	337,628
Gross Receivables	<u>4,371,586</u>	<u>299,158</u>	<u>648,117</u>	<u>5,318,861</u>
Less: allowance for uncollectibles	<u>(2,750,459)</u>	<u>(14,197)</u>	<u>(119,188)</u>	<u>(2,883,844)</u>
Net Total Receivables	<u>\$ 1,621,127</u>	<u>\$ 284,961</u>	<u>\$ 528,929</u>	<u>\$ 2,435,017</u>

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 4 - Receivables (continued)

Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of September 30, 2020, the various components of deferred outflows of resources reported in the governmental funds were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property taxes	\$ 158,414	\$ 33,411	\$ 191,825
Fines and forfeitures	312,161	-	312,161
Ambulance services	156,462	-	156,462
FEMA disaster relief	171,401	-	171,401
	<u>\$ 798,438</u>	<u>\$ 33,411</u>	<u>\$ 831,849</u>

Note 5 - Capital Assets

A summary of activity for capital assets capitalized by the City for the year ended September 30, 2020, follows:

	<u>Balance October 01, 2019</u>	<u>Additions</u>	<u>Transfers and (Retirements)</u>	<u>Balance September 30, 2020</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 4,915,116	\$ -	\$ -	\$ 4,915,116
Construction in progress	550,820	314,354	(865,174)	-
Total capital assets, not being depreciated	<u>5,465,936</u>	<u>314,354</u>	<u>(865,174)</u>	<u>4,915,116</u>
Capital assets being depreciated:				
Streets and improvements	24,151,283	467,818	865,174	25,484,275
Buildings and improvements	5,924,367	854,569	1,047,438	7,826,374
Furniture, equipment, and vehicles	14,492,235	569,982	(764,143)	14,298,074
Assets under lease	710,284	-	(387,548)	322,736
Total capital assets, being depreciated	<u>45,278,169</u>	<u>1,892,369</u>	<u>760,921</u>	<u>47,931,459</u>
Less accumulated depreciation for:				
Streets and improvements	(17,228,148)	(878,774)	-	(18,106,922)
Buildings and improvements	(4,201,216)	(330,064)	(1,028,593)	(5,559,873)
Furniture, equipment, and vehicles	(10,952,931)	(1,101,063)	679,145	(11,374,849)
Assets under lease	(363,850)	(140,069)	368,862	(135,057)
Total accumulated depreciation	<u>(32,746,145)</u>	<u>(2,449,970)</u>	<u>19,414</u>	<u>(35,176,701)</u>
Total Governmental Activities				
Capital Assets, net	<u>\$ 17,997,960</u>	<u>\$ (243,247)</u>	<u>\$ (84,839)</u>	<u>\$ 17,669,874</u>

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets (continued)

	Balance October 01, 2019	Additions	Transfers and (Retirements)	Balance September 30, 2020
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 56,200	\$ -	\$ -	\$ 56,200
Total capital assets, not being depreciated	<u>56,200</u>	<u>-</u>	<u>-</u>	<u>56,200</u>
Capital assets being depreciated:				
Water and sewer system	25,346,653	311,672	-	25,658,325
Furniture, equipment, and vehicles	146,765	85,275	-	232,040
Total capital assets being depreciated	<u>25,493,418</u>	<u>396,947</u>	<u>-</u>	<u>25,890,365</u>
Less accumulated depreciation for:				
Utility and street projects	(16,787,924)	(508,734)	-	(17,296,658)
Furniture, equipment, and vehicles	(146,765)	(17,055)	-	(163,820)
Total accumulated depreciation	<u>(16,934,689)</u>	<u>(525,789)</u>	<u>-</u>	<u>(17,460,478)</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 8,614,929</u>	<u>\$ (128,842)</u>	<u>\$ -</u>	<u>\$ 8,486,087</u>

Depreciation was charged to functions of the primary government as follows:

Function	Depreciation Expense
Governmental Activities	
General Administration	\$ 287,643
Economic Development	90,444
Public Safety	760,265
Service Center	20,346
Streets and Drainage	777,634
Parks and Recreation	513,638
Total Governmental Activities	<u>\$ 2,449,970</u>
Business-type Activities	
Water and sewer	<u>\$ 525,789</u>

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt

During the year ended September 30, 2020, the following changes occurred in long-term liabilities:

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
Governmental Activities:					
Certificates of obligation	\$ 1,080,000	\$ 7,735,000	\$ (520,000)	\$ 8,295,000	\$ 415,000
Premiums on issuance of debt	-	442,775	-	442,775	-
Notes payable	774,277	-	(774,277)	-	-
Capital leases	340,479	-	(122,572)	217,907	35,955
Compensated absences	461,859	339,065	(377,098)	423,826	169,530
Total Governmental Activities	<u>\$ 2,656,615</u>	<u>\$ 8,516,840</u>	<u>\$ (1,793,947)</u>	<u>\$ 9,379,508</u>	<u>\$ 620,485</u>
Business-type Activities:					
Compensated absences	\$ 6,896	\$ 3,806	\$ (7,326)	\$ 3,376	\$ 1,350
Total Business-type Activities	<u>\$ 6,896</u>	<u>\$ 3,806</u>	<u>\$ (7,326)</u>	<u>\$ 3,376</u>	<u>\$ 1,350</u>

Certificates of Obligation

On August 24, 2020, the City issued \$7,735,000 Combination Tax and Revenue Certificates of Obligation, Series 2020 (the "Certificates"). Proceeds from the sale of the Certificates will be used for (i) construction of improvements to and the equipment of city streets, sidewalks and related infrastructure; (ii) construction of improvements to and the equipment of city drainage facilities; (iii) the construction of improvements to and the equipment of city hall; (iv) construction of improvements to and the equipment of city parks and recreational facilities; and (v) the costs of professional services related thereto.

Outstanding certificates of obligation at 9/30/2020 consist of the following:

Series	Interest Rate	Original Issue	Maturity Date	Debt Outstanding
Series 2008 Certificate of Obligation	3.79%	\$ 3,350,000	4/1/2023	\$ 560,000
Series 2020 Combination Tax and Revenue Certificates of Obligation	1.125% - 4.125%	7,735,000	4/1/2040	7,735,000
Total Certificates of Obligation				<u>\$ 8,295,000</u>

Annual debt service requirements to retire outstanding certificate of obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 415,000	\$ 128,448	\$ 543,448
2022	325,000	165,324	490,324
2023	340,000	152,840	492,840
2024	360,000	139,768	499,768
2025	365,000	133,468	498,468
2026-2030	1,930,000	554,656	2,484,656
2031-2035	2,200,000	291,982	2,491,982
2036-2040	2,360,000	132,250	2,492,250
	<u>\$ 8,295,000</u>	<u>\$ 1,698,736</u>	<u>\$ 9,993,736</u>

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt (continued)

Capital Leases

The City is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the statement of net position. Assets under capital leases totaled \$322,736 at September 30, 2020. The following is a schedule of future minimum lease payments under capital leases:

<u>Payments Due</u>	<u>Year Ending September 30,</u>		
	2021	\$	44,782
	2022		44,782
	2023		<u>145,432</u>
Minimum lease payments for all capital leases			234,996
Imputed interest			<u>(17,089)</u>
Present value - minimum lease payments		\$	<u>217,907</u>
Assets under capital leases		\$	<u>187,679</u>

On August 28, 2018, the City entered into a lease-purchase agreement for fifty- five (55) 2019 club car tempo EFI gas golf carts from September 1, 2018 through November 1, 2022, which calls for thirty-six (36) monthly payments of \$ 3,732. Current requirements for principal and interest expense accounted for in the culture and recreation department were \$35,626 and \$12,888

Compensated absences

Typically, the general fund and water and sewer fund have been used to liquidate the liabilities for compensated absences.

Operating Leases

Lessor

The City leases various office space as well as park and community house rentals as lessor. These leases are considered operating leases for accounting purposes and are reported as income in the General Fund. The office leases are on a month-to-month basis. The park and community house rentals are based upon usage.

Operating lease and rental income for the year ended September 30, 2020, was as follows:

Office lease Income	\$252,566
Office rental income	\$41,447

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt (continued)

Lessee

During the year ended September 30, 2018, the City entered into a 5 year operating lease agreements for copy machines and a digital mailing system which calls for monthly payments of \$625 and \$153

Operating lease expense for the year ended September 30, 2020 was \$64,408

Note 7 - Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2020, is as follows:

	Receivable Fund			Totals
	General Fund	Non-major Governmental Funds	Water and Sewer Fund	
Payable Fund				
Governmental activities				
General fund	\$ -	\$ 56,839	\$ 56,607	\$ 113,446
Nonmajor governmental funds	28,825	-	-	28,825
Net interfund totals	\$ 28,825	\$ 56,839	\$ 56,607	\$ 142,271

Note 7 - Interfund receivables, payables, and transfers (continued)

	Transfers in		
	Non-major Governmental Funds	Water and Sewer Fund	Net
Transfers out			
Governmental activities			
General fund	1,663,360	\$ 1,000,000	\$ 2,663,360
Nonmajor governmental funds	13,234	-	13,234
Total governmental activities, net	1,676,594	1,000,000	2,676,594
Net interfund totals	\$ 1,676,594	\$ 1,000,000	\$ 2,676,594

Amounts recorded as interfund receivables and payables are considered to be temporary loans and will be repaid during the following fiscal year.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System

Texas Municipal Retirement System

Plan Description and Provisions

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid agent multiple-employer defined benefit pension plan administered by the Texas Municipal Retirement System (“TMRS”). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the “TMRS Act”) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issue a comprehensive annual financial report (“CAFR”) available to the public that can be obtained at www.tmr.org.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee’s accumulated contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options.

Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

A summary of plan provisions for the City are as follows:

	Plan Year 2019
Employee deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5
Service retirement eligibility:	20 years at any age; 5 years at age 60 and above
Updated Service Credit:	100% repeating transfers
Annuity Increase to retirees:	70% of CPI repeating
Supplemental death benefit – active employees and retirees:	Yes

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

Inactive employees or beneficiaries currently receiving benefits	76
Inactive employees entitled to but not yet receiving benefits	108
Number of active employees receiving benefits	124
Total	308

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Contributions

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

Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City was 14.25% and 14.30% in calendar years 2019 and 2020 respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$1,004,021 and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions

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

Inflation rate	2.50%
Salary increases	3.50% to 10.50% including inflation
Investment rate of return	6.75%

Overall Payroll Growth – 2.75% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2008 to 2018, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

These 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. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

The long-term expected rate of return on pension plan investment was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-core Fixed Income	20.0%	3.39%
Real Estate	10.0%	3.78%
Real Return	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	<u>100.0%</u>	

Discount Rate

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

Basis of Allocation

Pension items are allocated between governmental activities and business-type activities on the basis of employee payroll funding. For the year ended September 30, 2020, those percentages were 99% and 1%, respectively, which approximated the prior year’s allocations.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at December 31, 2018	\$ 28,655,109	\$ 21,950,722	\$ 6,704,387
Service Cost	1,020,294	-	1,020,294
Interest (on the Total Pension Liability)	1,923,902	-	1,923,902
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(459,710)	-	(459,710)
Changes of assumptions	142,572	-	142,572
Contributions – employer	-	904,482	(904,482)
Contributions – employee	-	444,711	(444,711)
Net investment income	-	3,392,674	(3,392,674)
Administrative Expense	-	(19,175)	19,175
Other	-	(576)	576
Benefit payments, including refunds of employee contributions	(1,326,009)	(1,326,009)	-
Balance at December 31, 2019	<u>\$ 29,956,158</u>	<u>\$ 25,346,829</u>	<u>\$ 4,609,329</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 or (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
City's Net Pension Liability	\$ 9,415,740	\$ 4,609,329	\$ 752,620

Pension Plan Fiduciary Net Position

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

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

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

For the year ended September 30, 2020, the City recognized pension expense of \$1,067,704

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 83,347	\$ 360,539
Changes of assumptions	100,141	-
Net difference between projected and actual earnings		761,618
Contributions made subsequent to measurement date	769,510	-
	<u>\$ 952,998</u>	<u>\$ 1,122,157</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$769,510 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2019 (recognized in the City’s financial statements September 30, 2020). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	Amount
2021	\$ (253,754)
2022	(327,501)
2023	24,786
2024	(382,200)
Total	<u>\$ (938,669)</u>

Texas Emergency Services Retirement System

Plan Description and Provisions

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The System issues a stand-alone financial report that is available to the public at www.tesrs.org.

Due to the insignificance of the amounts and the time required to make such calculations, the City has opted not to record the transactions required to implement GASB No. 68 for the TESRS Pension Plan to the current year financial statements. The net pension liability is estimated to be \$15,484.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits

TMRS Supplemental Death Benefits Fund

Plan Description

The City’s single-employer defined benefit group-term life insurance plan is operated by the Texas Municipal Retirement System (TMRS) via 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.

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is another post-employment benefit (OPEB). 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).

Membership in the plan as of the measurement date of December 31, 2019 was as follows:

Inactive employees or beneficiaries currently receiving benefits	50
Inactive employees entitled to but not yet receiving benefits	22
Number of active employees receiving benefits	<u>124</u>
Total	<u>196</u>

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.15% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.75% based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2019.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

TMRS Supplemental Death Benefits Fund (continued)

Actuarial Assumptions

The City’s Total OPEB Liability was measured at December 31, 2018 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Inflation	2.50%
Salary increase	3.50% to 11.50% including inflation
Discount rate*	2.75%
Retirees' share of benefit-related costs	0%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

Basis of Allocation

Pension items are allocated between governmental activities and business-type activities on the basis of employee payroll funding. For the year ended September 30, 2020, those percentages were 99% and 1%, respectively, which approximated the prior year’s allocations.

Changes in the Total OPEB Liability

Balance at December 31, 2018	\$ 307,011
Changes for the year:	
Service cost	12,706
Interest on Total OPEB Liability	11,579
Difference between expected and actual experience	(15,039)
Changes in assumptions or other inputs	63,192
Benefit payments	(2,541)
Net changes	<u>69,897</u>
Balance at December 31, 2019	<u>\$ 376,908</u>

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

TMRS Supplemental Death Benefits Fund (continued)

Ending total OPEB liability is as of December 31, 2019. Changes of assumptions reflect a change in the discount rate from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019.

Sensitivity Analysis

The following presents the total OPEB liability of the employer, calculated using the discount rate of 2.75%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease (1.75%)	Current (2.75%)	1% Increase (3.75%)
City's Net OPEB Liability	\$ 458,011	\$ 376,908	\$ 314,007

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$31,942

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ -	\$ 18,534
Change in assumptions	64,554	15,087
Contributions made subsequent to measurement date	2,151	-
Total	<u>\$ 66,705</u>	<u>\$ 33,621</u>

The \$2,151 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2021.

Amounts currently reported as deferred outflows of resources related to OPEBs, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year ended September 30:	Amount
2021	\$ 7,657
2022	7,657
2023	6,397
2024	4,524
2025	4,698
Total	<u>\$ 30,933</u>

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

Retiree Healthcare Plan

Plan Description

The City of Freeport maintains a Retiree Health Care Plan (RHCP) through the TML Health Benefits Pool, a health risk pool established pursuant to Texas Local Government Code Chapter 172, Texas Government Code Chapter 791, and the Texas Trust Code to provide health care benefits coverage for employees and retirees and dependents of employees and retirees, of Texas political subdivisions under an interlocal agreement. The City is currently offering health benefits coverage through the RHCP which allows the extension of benefits to retirees of the City. The City provides health benefits coverage to its retirees through the RHCP and the cost of such coverage be paid for by the City to a maximum of \$750 per month; any additional amount will be the responsibility of the retiree. An employee who is under 60 years of age and has been covered by TMRS (Texas Municipal Retirement System) for at least 20 years, or an employee who is 60 years or older and has been covered by TMRS for at least 5 years. The employee must also work for the City for a period of eight continuous years and meet the definition of retiree for purposes of the ordinance. The Interlocal Agreement in effect between the City and the TML Health Benefits Pool, adopted September 8, 2014, provides that the Board of Trustees may adopt rules and regulations which may amend this plan in the future. Other coverage's will be as established by the TML Health Benefits Pool Board of Trustees.

Benefits Provided

The RHCP provides pre sixty-five benefit coverage which will continue until the end of the month for the covered retiree's 65th birthday. Coverage for early retirees under these plans will require that the early retiree enroll in the TML Health Benefits Pool plan within 31 days of commencement of their pre 65 retirement, meet the plans definition of retiree, and that the retiree receive all other applicable benefits provided to the retiree population. The pre sixty-five plan offers the retirees a choice of one of four plan options which consist of a platinum, gold, silver, and bronze. Each plan has a specified rate that varies year over year.

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	1
Active Plan Members	118
Total	<u>119</u>

Total OPEB Liability

The City's total OPEB liability of \$365,696 was measured as of December 31, 2019 as determined by an actuarial valuation of the same date.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

Retiree Healthcare Plan (continued)

Actuarial Assumptions and Methods

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

Actuarial Cost Method	Individual Entry-Age Normal
Discount rate	2.75%
Inflation	2.50%
Salary increase	3.50% to 11.50% including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	Mortality For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Health Care Trend Rates	Health Care Trend Rates Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years
Participation Rates	30% for retirees age 55 or older at retirement; 10% for retirees under age 55 at retirement

Discount Rate

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 2.75% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”). The discount rate was 3.71% as of the prior measurement date.

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in the Total OPEB Liability

Balance at December 31, 2018	\$ 502,717
Changes for the year:	
Service cost	26,027
Interest on Total OPEB Liability	16,948
Change in benefit terms	(106,501)
Difference between expected and actual experience	(99,594)
Changes in assumptions or other inputs	33,523
Benefit payments	<u>(7,424)</u>
Net changes	<u>(137,021)</u>
Balance at December 31, 2019	<u>\$ 365,696</u>

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

Retiree Healthcare Plan (continued)

The ending Total OPEB Liability was \$365,696 as of December 31, 2019.

Changes of assumptions reflect a change in the discount rate from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019, and minor updates to the health care trend assumption.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the plan’s total OPEB liability, calculated using a discount rate of 2.75%, as well as what the plan’s total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease (1.75%)	Current Discount Rate Assumptions (2.75%)	1% Increase (3.75%)
Retiree Health Care Plan	\$ 409,318	\$ 365,696	\$ 326,877

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The employer provided benefit is not affected by sensitivity in healthcare trends

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

For the year ended September 30, 2020, the City recognized a (negative) OPEB expense of (\$71,041)

At September 30, 2020, 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
Difference in expected and actual experience	\$ -	\$ 88,313
Change in assumptions	42,653	12,666
Contributions made subsequent to measurement date	2,267	-
Total	\$ 44,920	\$ 100,979

The \$2,267 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2020.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

Retiree Healthcare Plan (continued)

Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

<u>Year ended</u> <u>September 30:</u>	<u>Amount</u>
2021	\$ (7,515)
2022	(7,515)
2023	(7,515)
2024	(7,515)
2025	(7,515)
Thereafter	(20,751)
Total	<u>\$ (58,326)</u>

Note 10 - Deferred Compensation Plan

The City offers its employees the opportunity to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is an additional retirement savings option for the City employees; however, no contributions will be made by the City. The retirement plan is offered to public service personnel only.

Note 11 - Industrial Contract Agreements

The City three Industrial Development Agreements: Brazosport IDA (Interlocal with Lake Jackson and Clute), Freeport IDA, and Freeport LNG. Brazosport IDA and Freeport IDA, are calculated based on property values or CPI - whichever is greater. Freeport LNG Industrial District payments are made in accordance to a payment schedule outline in the agreement. The amount received under this contract and various other industrial district contracts during the year ended September 30, 2020 was \$7,640,258 and is reported in the General Fund.

Note 12 - Subsurface Lease Agreement

The City entered into a subsurface lease agreement with the Dow Chemical Corporation in July 2017. The terms of the lease agreement is July 31, 2017 through July 31, 2037 with an option to extend the term for an additional 5 years through July 31, 2042. The City will receive a total of \$8,000,000 throughout the life of the lease. The amount received under this contract during the year ended September 30, 2020 was \$100,000

Note 13 - Water Supply Contract

The City entered into a water supply contract with the Brazosport Water Authority on February 20, 1987. The contract term is forty years and may not be terminated as long as bonds are outstanding. The City agrees to take and pay for, whether used or not, 2 million gallons of water per day. The actual supply of water under this contract started in March, 1989.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 14 - Joint Venture

The City is party to an agreement with the City of Oyster Creek to share costs associated with the operation of a sewer treatment plant. The plant went on-line during the fiscal year ended September 30, 1989. The percentage for sharing the operating expenses is determined based upon meter flow calibrations. For the year ended September 30, 2020, the City of Freeport's portion of these expenses \$82,434.

During the year ended September 30, 2003, the City began a joint venture with the City of Clute, City of Lake Jackson, and the SPCA for an animal shelter. The shelter is located in Lake Jackson and provides programs for the claiming and adoption of lost or abandoned animals for the three cities. The term of the agreement is from March 1, 2003 through February 28, 2023. The City and Clute contributed \$150,000 each and the SPCA contributed \$250,000 for a total of \$550,000 to Lake Jackson for the design, construction, and furnishing of the \$1,100,000 facility. The City pays each year for administrative operating costs. For the year ended September 30, 2020, the City paid \$125,000 for their portion of the operating costs.

Note 15 - Commitments and Contingencies

Litigation and Other Contingencies

From time to time, the City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City Management and legal counsel that any ultimate uninsured liability to the City from these lawsuits will not be material.

Arbitrage Rebate

In accordance with the provisions of the Internal Revenue Code, sections 103, 103A, and 148, as amended, a governmental debt issuance must qualify and maintain tax-exempt status by satisfying certain arbitrage requirements contained in these provisions. As part of the requirements, certain amounts earned on the non-purpose investment of debt issuance proceeds, in excess of the yield on an issue, earned as arbitrage, will be required to be paid to the U.S. Treasury. As part of this process, the City annually determines potential arbitrage liabilities on its debt issues, on component unit debt issues and on debt issues assumed by the City from various Municipal Utility Districts.

Note 16 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City participates in the Texas Municipal League's General Liability Fund. In addition, the City participates in the Texas Municipal League's Workers Compensation Fund to insure the City for workers compensation claims. The Texas Municipal League is not intended to operate as an insurance company but rather as contracting mechanism by which the city provides self-insurance benefits to its employees. The fund contracts with a third-party administrator for administration, investigation and adjustment services in the handling of claims. Premiums are based on the estimated City payroll risk factor and rates. The premiums are adjusted by the City's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool. The City has not significantly reduced insurance coverage in the last three years.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF FREEPORT, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Taxes:				
Property taxes	\$ 2,601,000	\$ 2,601,000	\$ 2,596,780	\$ (4,220)
Sales and use taxes	2,040,000	2,040,000	1,988,720	(51,280)
Franchise fees and other	638,278	638,278	630,750	(7,528)
Industrial district	7,969,830	7,969,830	7,640,258	(329,572)
Fines and forfeitures	287,800	287,800	227,954	(59,846)
Licenses and permits	119,041	119,041	126,330	7,289
Intergovernmental	282,595	282,595	380,188	97,593
Charges for services	2,196,664	2,196,664	1,978,877	(217,787)
Investment earnings	140,000	140,000	85,363	(54,637)
Miscellaneous	270,000	270,000	250,805	(19,195)
Lease income	282,574	282,574	252,566	(30,008)
Total Revenues	<u>16,827,782</u>	<u>16,827,782</u>	<u>16,158,591</u>	<u>(669,191)</u>
Expenditures				
Current:				
General government	2,119,095	2,119,095	1,967,066	152,029
Public safety	7,292,895	7,292,895	7,184,511	108,384
Streets and drainage	1,344,960	1,344,960	1,329,570	15,390
Sanitation	992,453	992,453	980,664	11,789
Service center	190,890	190,890	181,985	8,905
Culture and recreation	3,320,802	3,320,802	2,764,365	556,437
Capital outlay	2,249,906	2,249,906	756,239	1,493,667
Debt service:				
Principal	262,959	262,959	122,572	140,387
Interest and other charges	10,599	10,599	12,872	(2,273)
Total Expenditures	<u>17,784,559</u>	<u>17,784,559</u>	<u>15,299,844</u>	<u>2,484,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(956,777)</u>	<u>(956,777)</u>	<u>858,747</u>	<u>1,815,524</u>
Other Financing Sources (Uses)				
Transfers out	<u>(2,713,842)</u>	<u>(2,713,842)</u>	<u>(2,663,360)</u>	<u>50,482</u>
Total other financing sources (uses)	<u>(2,713,842)</u>	<u>(2,713,842)</u>	<u>(2,663,360)</u>	<u>50,482</u>
Net changes in fund balances	(3,670,619)	(3,670,619)	(1,804,613)	1,866,006
Fund balances - beginning	<u>8,823,622</u>	<u>8,823,622</u>	<u>8,823,622</u>	<u>-</u>
Fund balances - ending	<u>\$ 5,153,003</u>	<u>\$ 5,153,003</u>	<u>\$ 7,019,009</u>	<u>\$ 1,866,006</u>

CITY OF FREEPORT, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY BUDGET INFORMATION

Year Ended September 30, 2020

General Budget Policies

The original budget is adopted by the City Council prior to the beginning of the fiscal year for the General Fund and Debt Service Fund. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Transfers of appropriations between departments require the approval of the City Council.

CITY OF FREEPORT, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Changes in Net Pension Liability and Related Ratios
Last Six Measurement Years

	<u>2019</u>	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:						
Service cost	\$ 1,020,294	\$ 972,644	\$ 1,069,778	\$ 941,887	\$ 867,502	\$ 749,370
Interest	1,923,902	1,828,285	1,693,736	1,586,800	1,511,254	1,424,774
Difference between expected and actual experience	(459,710)	(84,705)	462,205	(31,659)	276,833	(132,087)
Change in assumptions	142,572	-	-	-	116,881	-
Benefit payments, including refunds of employee contributions	<u>(1,326,009)</u>	<u>(1,321,000)</u>	<u>(1,046,653)</u>	<u>(906,817)</u>	<u>(874,894)</u>	<u>(856,501)</u>
Net change in total pension liability	1,301,049	1,395,224	2,179,066	1,590,211	1,897,576	1,185,556
Total pension liability - beginning	<u>28,655,109</u>	<u>27,259,885</u>	<u>25,080,819</u>	<u>23,490,608</u>	<u>21,593,032</u>	<u>20,407,476</u>
Total pension liability - ending (a)	<u>\$ 29,956,158</u>	<u>\$ 28,655,109</u>	<u>\$ 27,259,885</u>	<u>\$ 25,080,819</u>	<u>\$ 23,490,608</u>	<u>\$ 21,593,032</u>
Plan fiduciary net position:						
Contributions - employer	\$ 904,482	\$ 896,313	\$ 944,578	\$ 773,757	\$ 699,079	\$ 600,889
Contributions - employee	444,711	440,294	464,589	409,932	385,600	348,367
Net investment income	3,392,674	(677,553)	2,709,724	1,221,694	26,362	962,281
Benefit payments, including refunds of employee contributions	(1,326,009)	(1,321,000)	(1,046,653)	(906,817)	(874,894)	(856,501)
Administrative expense	(19,175)	(13,099)	(14,056)	(13,803)	(16,057)	(10,047)
Other	<u>(576)</u>	<u>(684)</u>	<u>(712)</u>	<u>(744)</u>	<u>(792)</u>	<u>(826)</u>
Net change in plan fiduciary net position	3,396,107	(675,729)	3,057,470	1,484,019	219,298	1,044,163
Plan fiduciary net position - beginning	<u>21,950,722</u>	<u>22,626,451</u>	<u>19,568,981</u>	<u>18,084,962</u>	<u>17,865,664</u>	<u>16,821,501</u>
Plan fiduciary net position - ending (b)	<u>25,346,829</u>	<u>21,950,722</u>	<u>22,626,451</u>	<u>19,568,981</u>	<u>18,084,962</u>	<u>17,865,664</u>
Net pension liability - ending (a) - (b)	<u>\$ 4,609,329</u>	<u>\$ 6,704,387</u>	<u>\$ 4,633,434</u>	<u>\$ 5,511,838</u>	<u>\$ 5,405,646</u>	<u>\$ 3,727,368</u>
Plan fiduciary net position as a percentage of total pension liability	84.61%	76.60%	83.00%	78.02%	76.99%	82.74%
Covered payroll	\$ 6,353,014	\$ 6,275,121	\$ 6,636,342	\$ 5,846,596	\$ 5,501,315	\$ 4,976,675
Net pension liability as a percentage of covered payroll	72.55%	106.84%	69.82%	94.27%	98.26%	74.90%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68.

Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

CITY OF FREEPORT, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of the City's Pension Contributions
Last Six Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,004,021	\$ 892,025	\$ 912,207	\$ 773,757
Contribution in relation of the actuarially determined contribution	<u>1,004,021</u>	<u>892,025</u>	<u>912,207</u>	<u>773,757</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 7,028,033	\$ 6,444,398	\$ 6,461,534	\$ 5,846,596
Contributions as a percentage of covered payroll	14.3%	13.8%	14.1%	13.2%
	<u>2016</u>	<u>2015</u>		
Actuarially determined contribution	\$ 699,079	\$ 677,622		
Contribution in relation of the actuarially determined contribution	<u>699,079</u>	<u>677,622</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>		
Covered payroll	\$ 5,501,315	\$ 4,976,675		
Contributions as a percentage of covered payroll	12.7%	13.6%		

Valuation Date Actuarially determined contribution rates are calculated on a calendar year basis 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	26 Years
Asset valuation method	10-year smoothed market; 15% soft corridor
Inflation rate	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018
Mortality rate	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.

CITY OF FREEPORT, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFIT (UNAUDITED)
Schedule of Changes in Total OPEB Liability and Related Ratios
Last Three Measurement Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:			
Service cost	\$ 12,706	\$ 11,923	\$ 10,618
Interest	11,579	10,724	10,509
Difference between expected and actual experience	(15,039)	(9,540)	-
Change in assumptions	63,192	(23,177)	26,796
Benefit payments	<u>(2,541)</u>	<u>(1,883)</u>	<u>(3,318)</u>
Total change in total OPEB liability	69,897	(11,953)	44,605
Total OPEB liability - beginning	<u>307,011</u>	<u>318,964</u>	<u>274,359</u>
Total OPEB liability - ending (a)	<u>\$ 376,908</u>	<u>\$ 307,011</u>	<u>\$ 318,964</u>
Covered payroll	\$ 6,353,014	\$ 6,275,121	\$ 6,636,342
Total OPEB liability as a percentage of covered payroll	5.93%	4.89%	4.81%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

Notes to Schedule:

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

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increase	3.50% to 11.50% including inflation
Discount rate*	2.75%
Retirees' share of benefit-related costs	0%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

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

Mortality rates - disabled retirees 2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward 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

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

CITY OF FREEPORT, TEXAS
RETIREE HEALTH CARE PLAN (UNAUDITED)
Schedule of Changes in Total OPEB Liability and Related Ratios
Last Three Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 26,027	\$ 27,301	\$ 24,443
Interest on the total OPEB liability	16,948	16,533	17,182
Changes of benefit terms	(106,501)		
Difference between expected and actual experience	(99,594)	(715)	-
Change in assumptions	33,523	(16,480)	20,081
Benefit payments	<u>(7,424)</u>	<u>(19,500)</u>	<u>(9,750)</u>
Total change in total OPEB liability	(137,021)	7,139	51,956
Total OPEB liability - beginning	<u>502,717</u>	<u>495,578</u>	<u>443,622</u>
Total OPEB liability - ending (a)	<u>\$ 365,696</u>	<u>\$ 502,717</u>	<u>\$ 495,578</u>
Covered payroll	\$ 6,353,014	\$ 6,275,121	\$ 6,636,342
Total OPEB liability as a percentage of covered payroll	5.76%	8.01%	7.47%

Notes to Schedule:

Changes of assumptions reflect the effects of changes in the discount rate for each period presented below:

2020	2.75%
2019	3.71%
2018	3.31%

FYE20 - The demographic assumptions were updated to reflect the 2019 TMRS Experience Study, the election rate was decreased from 70% to 30% as a result of the plan change. Prior to August 2019, the City provided a \$750.00 contribution toward the cost of eligible retiree medical insurance to retirees who chose coverage through the TML IEBP Pre-65 pooled plan option. After the August 2019 plan change, eligible retirees may participate in the City's medical plan until age 65, provided the retiree pays the full premium amount.

OTHER SUPPLEMENTARY INFORMATION

CITY OF FREEPORT, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
As of September 30, 2020

	<u>Debt Service Fund</u>	<u>Hotel/Motel Tax</u>	<u>Economic Development Corporation</u>	<u>Beach Maintenance</u>
Assets				
Cash and cash equivalents	\$ 53,895	\$ 21,727	\$ 714,557	\$ -
Receivables, net of allowance				
Taxes receivables	35,915	66,561	182,485	-
Due from other funds	1	-	4,515	-
Total Assets	<u>\$ 89,811</u>	<u>\$ 88,288</u>	<u>\$ 901,557</u>	<u>\$ -</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 16,744	\$ -
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>16,744</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenues	33,411	-	-	-
Total Deferred Inflows of Resources	<u>33,411</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits)				
Restricted:				
Debt service	56,400	-	-	-
Capital projects	-	-	-	-
Municipal court operations	-	-	-	-
Economic Development	-	88,288	884,813	-
Total Fund Balances (Deficits)	<u>56,400</u>	<u>88,288</u>	<u>884,813</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 89,811</u>	<u>\$ 88,288</u>	<u>\$ 901,557</u>	<u>\$ -</u>

CITY OF FREEPORT, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
As of September 30, 2020

	<u>Court Revenue</u>	<u>Facilities and Grounds CIP</u>	<u>Vehicles and Equipment</u>	<u>Capital Projects Fund</u>	<u>Total Non-Major Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 161,294	\$ 177,577	\$ 10,088	\$ -	\$ 1,139,138
Receivables, net of allowance					
Taxes receivables	-	-	-	-	284,961
Due from other funds	-	-	-	52,323	56,839
Total Assets	<u>\$ 161,294</u>	<u>\$ 177,577</u>	<u>\$ 10,088</u>	<u>\$ 52,323</u>	<u>\$ 1,480,938</u>
Liabilities					
Accounts payable	\$ -	\$ 23,975	\$ -	\$ -	\$ 40,719
Due to other funds	-	22	-	28,803	28,825
Unearned revenues	16,893	-	-	-	16,893
Total Liabilities	<u>16,893</u>	<u>23,997</u>	<u>-</u>	<u>28,803</u>	<u>86,437</u>
Deferred Inflows of Resources					
Unavailable revenues	-	-	-	-	33,411
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,411</u>
Fund Balances (Deficits)					
Restricted:					
Debt service	-	-	-	-	56,400
Capital projects	-	153,602	10,066	23,520	187,188
Municipal court operations	144,401	-	-	-	144,401
Economic Development	-	-	-	-	973,101
Total Fund Balances (Deficits)	<u>144,401</u>	<u>153,602</u>	<u>10,066</u>	<u>23,520</u>	<u>1,361,090</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 161,294</u>	<u>\$ 177,599</u>	<u>\$ 10,066</u>	<u>\$ 52,323</u>	<u>\$ 1,480,938</u>

CITY OF FREEPORT, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	<u>Debt Service Fund</u>	<u>Hotel/Motel Tax</u>	<u>Economic Development Corporation</u>	<u>Beach Maintenance</u>
Revenues				
Taxes:				
Property taxes	\$ 553,632	\$ -	\$ -	\$ -
Sales and use taxes	-	-	994,360	-
Franchise fees and other	-	64,040	-	-
Fines and forfeitures	-	-	-	-
Investment earnings	741	121	-	-
Total Revenues	<u>554,373</u>	<u>64,161</u>	<u>994,360</u>	<u>-</u>
Expenditures				
Current:				
Public safety	-	-	-	-
Economic development	-	5,000	295,656	-
Capital outlay	-	-	-	-
Debt service:				
Principal	530,976	-	763,301	-
Interest and other charges	58,639	-	1,860	-
Total Expenditures	<u>589,615</u>	<u>5,000</u>	<u>1,060,817</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,242)</u>	<u>59,161</u>	<u>(66,457)</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers in	13,234	-	250,000	11,518
Transfers out	-	-	(13,234)	-
Total other financing sources (uses)	<u>13,234</u>	<u>-</u>	<u>236,766</u>	<u>11,518</u>
Net changes in fund balances	(22,008)	59,161	170,309	11,518
Fund balances - beginning	<u>78,408</u>	<u>29,127</u>	<u>714,504</u>	<u>(11,518)</u>
Fund balances - ending	<u>\$ 56,400</u>	<u>\$ 88,288</u>	<u>\$ 884,813</u>	<u>\$ -</u>

CITY OF FREEPORT, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	<u>Court Revenue</u>	<u>Facilities and Grounds CIP</u>	<u>Vehicles and Equipment</u>	<u>Capital Projects Fund</u>	<u>Total Non-Major Governmental Funds</u>
Revenues					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 553,632
Sales and use taxes	-	-	-	-	994,360
Franchise fees and other	-	-	-	-	64,040
Fines and forfeitures	21,356	-	-	-	21,356
Investment earnings	1,614	11	-	19	2,506
Total Revenues	<u>22,970</u>	<u>11</u>	<u>-</u>	<u>19</u>	<u>1,635,894</u>
Expenditures					
Current:					
Public safety	18,180	-	-	-	18,180
Economic development	-	-	-	-	300,656
Capital outlay	-	800,463	437,722	30,567	1,268,752
Debt service:					
Principal	-	-	-	-	1,294,277
Interest and other charges	-	-	-	-	60,499
Total Expenditures	<u>18,180</u>	<u>800,463</u>	<u>437,722</u>	<u>30,567</u>	<u>2,942,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,790</u>	<u>(800,452)</u>	<u>(437,722)</u>	<u>(30,548)</u>	<u>(1,306,470)</u>
Other Financing Sources (Uses)					
Transfers in	-	954,054	447,788	-	1,676,594
Transfers out	-	-	-	-	(13,234)
Total other financing sources (uses)	<u>-</u>	<u>954,054</u>	<u>447,788</u>	<u>-</u>	<u>1,663,360</u>
Net changes in fund balances	4,790	153,602	10,066	(30,548)	356,890
Fund balances - beginning	<u>139,611</u>	<u>-</u>	<u>-</u>	<u>54,068</u>	<u>1,004,200</u>
Fund balances - ending	<u>\$ 144,401</u>	<u>\$ 153,602</u>	<u>\$ 10,066</u>	<u>\$ 23,520</u>	<u>\$ 1,361,090</u>

CITY OF FREEPORT, TEXAS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND

For the Year Ended September 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Taxes:				
Property taxes	\$ 564,832	\$ 564,832	\$ 553,632	\$ (11,200)
Investment earnings	400	400	741	341
Total Revenues	<u>565,232</u>	<u>565,232</u>	<u>554,373</u>	<u>(10,859)</u>
Expenditures				
Debt Service:				
Principal	670,000	670,000	530,976	139,024
Interest and other charges	124,232	124,232	58,639	65,593
Total Expenditures	<u>794,232</u>	<u>794,232</u>	<u>589,615</u>	<u>204,617</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(229,000)</u>	<u>(229,000)</u>	<u>(35,242)</u>	<u>193,758</u>
Other Financing Sources (Uses)				
Transfers in	<u>225,000</u>	<u>225,000</u>	<u>13,234</u>	<u>(211,766)</u>
Total other financing sources (uses)	<u>225,000</u>	<u>225,000</u>	<u>13,234</u>	<u>(211,766)</u>
Net changes in fund balances	(4,000)	(4,000)	(22,008)	(18,008)
Fund Balances - Beginning	<u>78,408</u>	<u>78,408</u>	<u>78,408</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 74,408</u>	<u>\$ 74,408</u>	<u>\$ 56,400</u>	<u>\$ (18,008)</u>