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ANNUAL FINANCIAL REPORT

CITY OF FREEPORT, TEXAS

For the Fiscal Year Ended  
September 30, 2022

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*CPAs and Professional Consultants*



# CITY OF FREEPORT, TEXAS

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Freeport, Texas (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

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

***Auditor’s Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

***Required Supplementary Information***

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

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

**Supplementary Information**

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Houston, Texas  
March 20, 2023



## **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, 2022.

#### **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 \$34.9 million (*net position*). Of this amount, \$6.8 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$4.5 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18.4 million, an increase of \$0.0 million over the prior year. Approximately 44% of this total amount, \$8.2 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 50% of total general fund expenditures.
- The City's long-term debt decreased by \$0.6 million over the prior year primarily due to scheduled principal payments on bonds payable.

#### **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 starting on page 14 of this report.

#### **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.

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

**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 ten 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, 2020 CO Bond CIP Bond, and the Economic Development Corporation fund, all of which are considered to be major funds. Data from the other 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 starting on page 16 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 starting on page 20 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 starting on page 23 of this report.

**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 starting on page 55 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 starting on page 64 of the City's financial statements.

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

**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 \$34.9 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, for the government as a whole, as well as for governmental activities.

By far, the largest portion of the City's net position (72.9%) 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 (7.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, (19%) or \$6.8 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, 2022 and 2021.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current and other assets	\$ 21,818	\$ 22,452	\$ 5,847	\$ 6,623	\$ 27,665	\$ 29,075
Capital assets	19,873	17,103	9,542	8,454	29,415	25,557
<b>Total Assets</b>	<b>41,691</b>	<b>39,555</b>	<b>15,389</b>	<b>15,077</b>	<b>57,080</b>	<b>54,632</b>
<b>Deferred Outflows of Resources</b>	<b>1,126</b>	<b>990</b>	<b>35</b>	<b>20</b>	<b>1,161</b>	<b>1,010</b>
Current and other liabilities	2,816	3,541	1,273	1,551	4,089	5,092
Long-term liabilities	12,166	13,839	5,027	5,248	17,193	19,087
<b>Total Liabilities</b>	<b>14,982</b>	<b>17,380</b>	<b>6,300</b>	<b>6,799</b>	<b>21,282</b>	<b>24,179</b>
<b>Deferred Inflows of Resources</b>	<b>1,954</b>	<b>1,048</b>	<b>69</b>	<b>20</b>	<b>2,023</b>	<b>1,068</b>
<b>Net Position:</b>						
Net investment in capital assets	16,403	15,898	9,064	8,279	25,467	24,177
Restricted	2,660	1,844	-	-	2,660	1,844
Unrestricted	6,821	4,375	(9)	(2)	6,812	4,373
<b>Total Net Position</b>	<b>\$ 25,883</b>	<b>\$ 22,117</b>	<b>\$ 9,055</b>	<b>\$ 8,277</b>	<b>\$ 34,938</b>	<b>\$ 30,394</b>

The City's net position increased by 15.0% or \$4.5 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, 2022 and 2021.

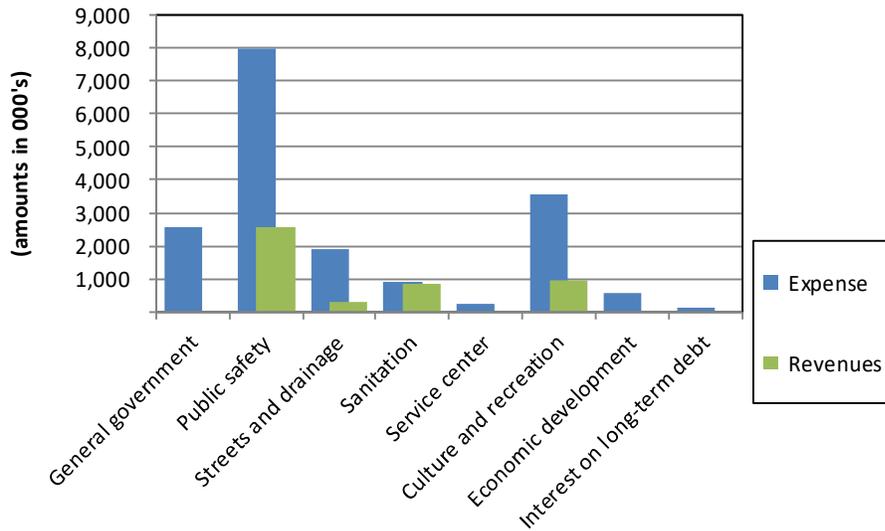
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 2,948	\$ 2,621	\$ 6,407	\$ 5,938	\$ 9,355	\$ 8,559
Operating grants and contributions	1,770	245	759	-	2,529	245
General revenues:						
Property taxes	3,822	3,225	-	-	3,822	3,225
Industrial payments	8,172	8,090	-	-	8,172	8,090
Sales and use taxes	3,572	3,641	-	-	3,572	3,641
Franchise taxes	644	621	-	-	644	621
Unrestricted investment earnings	164	75	3	1	167	76
Miscellaneous	684	1,387	-	-	684	1,387
<b>Total Revenues</b>	<b>21,776</b>	<b>19,905</b>	<b>7,169</b>	<b>5,939</b>	<b>28,945</b>	<b>25,844</b>
<b>Expenses:</b>						
General government	2,534	2,112	-	-	2,534	2,112
Public safety	7,991	8,147	-	-	7,991	8,147
Streets and drainage	1,916	2,039	-	-	1,916	2,039
Sanitation	887	968	-	-	887	968
Service center	216	222	-	-	216	222
Culture and recreation	3,575	3,440	-	-	3,575	3,440
Economic development	583	598	-	-	583	598
Interest on long-term debt	135	133	-	-	135	133
Water and sewer	-	-	6,564	6,208	6,564	6,208
<b>Total Expenses</b>	<b>17,837</b>	<b>17,659</b>	<b>6,564</b>	<b>6,208</b>	<b>24,401</b>	<b>23,867</b>
Increase in net position before transfers	3,939	2,246	605	(269)	4,544	1,977
Transfers	(173)	(77)	173	77	-	-
Change in net position	3,766	2,169	778	(192)	4,544	1,977
<b>Net Position - Beginning</b>	<b>22,117</b>	<b>19,948</b>	<b>8,277</b>	<b>8,469</b>	<b>30,394</b>	<b>28,417</b>
<b>Net Position - Ending</b>	<b>\$ 25,883</b>	<b>\$ 22,117</b>	<b>\$ 9,055</b>	<b>\$ 8,277</b>	<b>\$ 34,938</b>	<b>\$ 30,394</b>

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

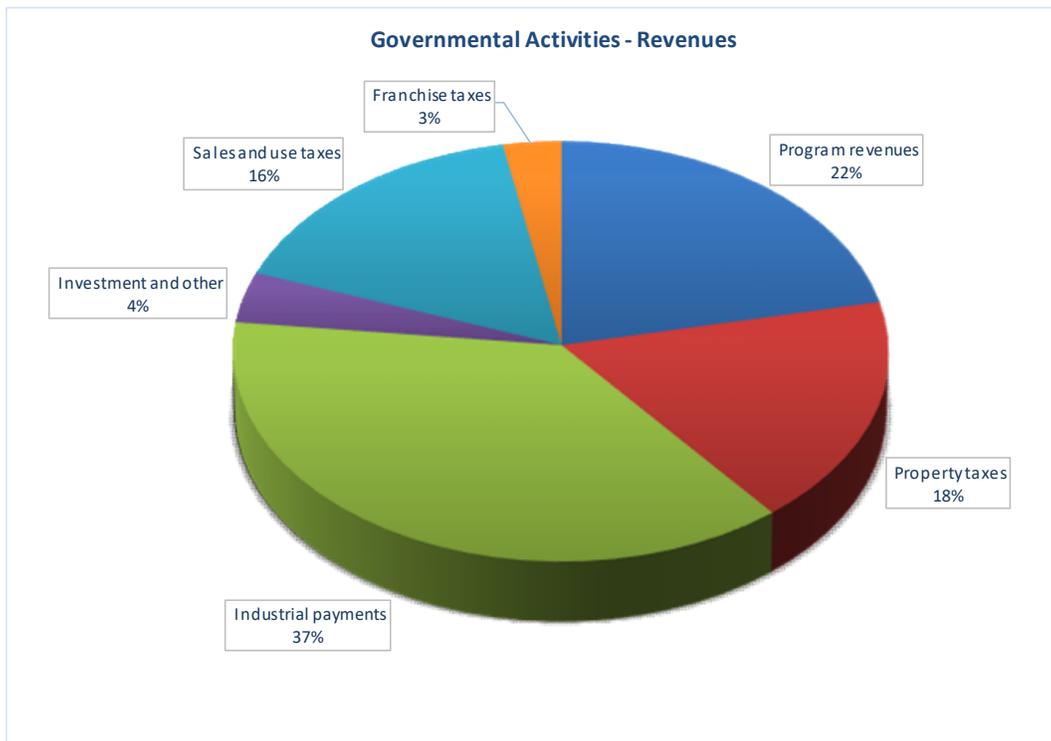
**Governmental Activities**

Governmental activities increased the City's net position by approximately \$3.8 million due to normal operations.

A comparison of program expenses to program revenues follows:



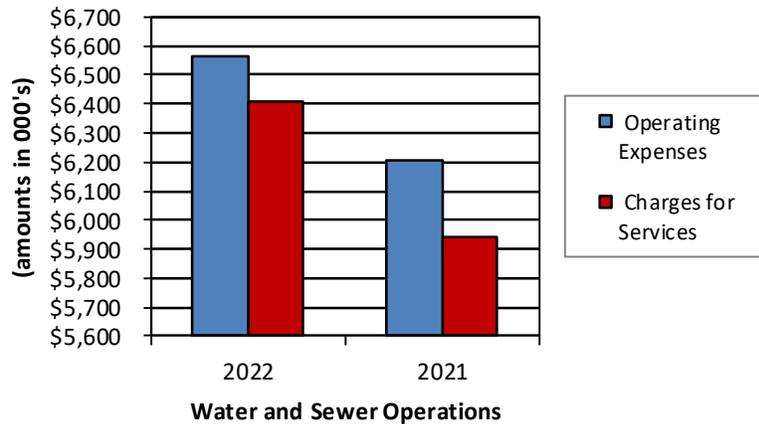
Revenue sources for governmental activities were distributed as follows:



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

**Business-type Activities**

Business-type activities increased the City's net position by \$778 thousand. A comparison between expenses relating to water and sewer operations and program revenues (charges for services) for fiscal years 2022 and 2021 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.

At September 30, 2022, the City's governmental funds reported combined fund balances of \$18,351,332, a decrease of \$30,144 in comparison with the prior year. Of this amount, \$8,158,830, or 44%. Constitutes unassigned balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable (\$6,581), restricted (\$7,480,918), or assigned (\$2,705,003).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$8,158,830 million. The unassigned fund balance decreased by \$370,528 million from fiscal year 2021. 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 50% of annual general fund expenditures for the 2022 fiscal year.

The fund balance of the 2020 CO Bond CIP Fund decreased by \$2,505,975 during the current fiscal year due to ongoing spending on bond-funded capital projects. The fund balance as of the end of the fiscal year was \$4,745,381.

The fund balance of the Economic Development Corporation fund increased by \$596,124 due to less than anticipated economic development expenditures. The fund balance as of the end of the fiscal year was \$2,179,447.

**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 in the Water and Sewer Enterprise Fund decreased by \$6,984 from the prior year to an ending deficit of \$8,812. 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 exceeded budgeted revenues by \$634.4 thousand primarily as a result of better than expected sales tax revenue and activity in charges for services. Appropriations in the final budget exceeded actual expenditures by \$1.4 million.

**Capital Asset and Debt Administration**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounted to million (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, roads, park facilities, right to use leased equipment, water and sewer plants and service lines, machinery and equipment, and construction in progress. Capital asset balances decreased by approximately \$3.9 million from the prior year due to disposals and depreciation exceeding additions in the current year.

The following table shows the balances at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>Governmental Activities</b>		
Capital assets, not being depreciated:		
Land	\$ 4,915	\$ 4,915
Construction in progress	2,510	608
Capital assets being depreciated:		
Streets and improvements	6,513	6,515
Buildings and improvements	2,499	2,298
Furniture, equipment, and vehicles	3,427	2,597
Assets under lease	-	170
Right to use leased equipment	9	-
<b>Total Capital Assets - Governmental Activities</b>	<u>\$ 19,873</u>	<u>\$ 17,103</u>
<b>Business-type Activities</b>		
Capital assets, not being depreciated:		
Land	\$ 56	\$ 56
Construction in progress	1,173	25
Capital assets being depreciated:		
Water and sewer infrastructure	7,940	8,148
Furniture, equipment, and vehicles	372	225
<b>Total Capital Assets - Business-Type Activities</b>	<u>\$ 9,542</u>	<u>\$ 8,454</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 long-term liabilities of \$13.4 million, excluding net pension and OPEB liabilities. This is a decrease from the prior year of \$0.5 million primarily due scheduled principal payments on bonds payable. The entire amount of debt is backed by the full faith and credit of the City. A schedule of long-term liabilities as of September 30, 2022 and 2021 follows (in \$000's):

	<u>2022</u>	<u>2021</u>
<b>Governmental Activities</b>		
Certificates of obligation	\$ 7,555	\$ 7,880
Premium on bonds	377	416
Leases	8	-
Financed purchase	275	159
Compensated absences	303	305
<b>Total Governmental Activities</b>	<u>\$ 8,519</u>	<u>\$ 8,760</u>
<b>Business-type Activities</b>		
Certificates of obligation	\$ 4,635	\$ 4,845
Premium on bonds	277	300
Compensated absences	2	4
<b>Total Business-type Activities</b>	<u>\$ 4,914</u>	<u>\$ 5,149</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 year 2023 (tax year 2022) is \$0.6000000 per \$100 of assessed value, which is the same property tax rate for fiscal year 2022 (tax year 2021). The Maintenance and Operation rate increased by \$0.026306 per \$100 of assessed values while the Interest and Sinking rate decreased by \$0.026306 per \$100 of assessed value. Property tax revenue for the City is budgeted \$38 thousand higher than the previous year which is a 1.02% increase. Of this revenue, approximately 100.0% is expected to be from 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. 2<sup>nd</sup> Street, Freeport, TX 77541

## **BASIC FINANCIAL STATEMENTS**

**CITY OF FREEPORT, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2022**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 19,859,712	\$ 4,410,254	\$ 24,269,966
Receivables, net of allowance	1,725,581	1,525,962	3,251,543
Internal balances	150,000	(150,000)	-
Prepaid items	83,001	60,725	143,726
Capital assets, not subject to depreciation:			
Land	4,915,116	56,200	4,971,316
Construction in progress	2,510,429	1,173,474	3,683,903
Capital assets, net of depreciation:			
Streets and improvements	6,513,407	-	6,513,407
Buildings and improvements	2,499,200	-	2,499,200
Furniture, equipment, & vehicles	3,426,608	372,360	3,798,968
Water and Sewer System	-	7,939,667	7,939,667
Right-to-use leased equipment	8,630	-	8,630
<b>Total Capital Assets</b>	<b>19,873,390</b>	<b>9,541,701</b>	<b>29,415,091</b>
<b>Total Assets</b>	<b>41,691,684</b>	<b>15,388,642</b>	<b>57,080,326</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources for pensions	867,084	31,900	898,984
Deferred outflows of resources for OPEB	259,147	3,200	262,347
<b>Total Deferred Outflows of Resources</b>	<b>1,126,231</b>	<b>35,100</b>	<b>1,161,331</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,189,635	913,370	2,103,005
Unearned revenue	1,549,899	-	1,549,899
Accrued interest	76,002	60,393	136,395
Customer deposits	-	298,751	298,751
Noncurrent liabilities:			
Due within one year	507,150	180,832	687,982
Due in more than one year	8,012,038	4,733,345	12,745,383
Net Pension Liability	2,605,436	95,300	2,700,736
Total OPEB liability	1,041,051	17,800	1,058,851
<b>Total Liabilities</b>	<b>14,981,211</b>	<b>6,299,791</b>	<b>21,281,002</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources for pensions	1,844,691	68,000	1,912,691
Deferred inflows of resources for OPEB	109,304	1,000	110,304
<b>Total Deferred Inflows of Resources</b>	<b>1,953,995</b>	<b>69,000</b>	<b>2,022,995</b>
<b>Net Position</b>			
Net investment in capital assets	16,402,513	9,063,763	25,466,276
Restricted for:			
Debt service	144,003	-	144,003
Municipal court operations	154,359	-	154,359
Economic development	2,361,173	-	2,361,173
Unrestricted	6,820,661	(8,812)	6,811,849
<b>Total Net Position</b>	<b>\$ 25,882,709</b>	<b>\$ 9,054,951</b>	<b>\$ 34,937,660</b>

**CITY OF FREEPORT, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2022**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Expenses	Program Revenue		Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Primary Government</b>						
<b>Governmental Activities:</b>						
General government	\$ 2,534,144	\$ -	\$ -	\$ (2,534,144)	\$ -	\$ (2,534,144)
Public safety	7,991,155	843,478	1,722,775	(5,424,902)	-	(5,424,902)
Streets and drainage	1,915,628	293,039	-	(1,622,589)	-	(1,622,589)
Sanitation	887,107	858,762	-	(28,345)	-	(28,345)
Service Center	216,009	-	-	(216,009)	-	(216,009)
Culture and recreation	3,575,471	952,235	28,220	(2,595,016)	-	(2,595,016)
Economic development	582,998	-	18,946	(564,052)	-	(564,052)
Interest on long-term debt	134,696	-	-	(134,696)	-	(134,696)
<b>Total Governmental Activities</b>	<b>17,837,208</b>	<b>2,947,514</b>	<b>1,769,941</b>	<b>(13,119,753)</b>	<b>-</b>	<b>(13,119,753)</b>
<b>Business-type Activities:</b>						
Water and sewer	6,564,070	6,407,398	759,058	-	602,386	602,386
<b>Total Business-type Activities</b>	<b>6,564,070</b>	<b>6,407,398</b>	<b>759,058</b>	<b>-</b>	<b>602,386</b>	<b>602,386</b>
<b>Total Primary Government</b>	<b>\$ 24,401,278</b>	<b>\$ 9,354,912</b>	<b>\$ 2,528,999</b>	<b>(13,119,753)</b>	<b>602,386</b>	<b>(12,517,367)</b>
<b>General Revenues and Transfers:</b>						
Taxes:						
Property taxes				3,822,191	-	3,822,191
Sales and use taxes				3,572,037	-	3,572,037
Franchise taxes				644,134	-	644,134
Industrial district revenues				8,171,633	-	8,171,633
Unrestricted investment earnings				164,116	2,408	166,524
Miscellaneous				683,678	-	683,678
<b>Transfers</b>				<b>(173,000)</b>	<b>173,000</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>				<b>16,884,789</b>	<b>175,408</b>	<b>17,060,197</b>
Change in net position				3,765,036	777,794	4,542,830
<b>Net Position - Beginning</b>				<b>22,117,673</b>	<b>8,277,157</b>	<b>30,394,830</b>
<b>Net Position - Ending</b>				<b>\$ 25,882,709</b>	<b>\$ 9,054,951</b>	<b>\$ 34,937,660</b>

**CITY OF FREEPORT, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2022**

	<b>General Fund</b>	<b>2020 CO Bond CIP Fund</b>	<b>Economic Development Corporation</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 9,568,359	\$ 4,958,232	\$ 2,059,445	\$ 3,273,676	\$ 19,859,712
Receivables, net of allowance :					
Taxes receivables	582,026	-	215,483	56,115	853,624
Customer accounts	700,386	-	-	-	700,386
Other receivables	183,514	-	-	1,380	184,894
Due from other funds	171,504	-	18,946	-	190,450
Due from other governments	3,570	-	-	-	3,570
Prepaid items	6,581	-	-	76,420	83,001
<b>Total Assets</b>	<b>\$ 11,215,940</b>	<b>\$ 4,958,232</b>	<b>\$ 2,293,874</b>	<b>\$ 3,407,591</b>	<b>\$ 21,875,637</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 436,993	\$ 212,851	\$ 91,323	\$ 78,696	\$ 819,863
Accrued liabilities	368,172	-	1,600	-	369,772
Due to other funds	-	-	21,504	18,946	40,450
Unearned revenues	1,549,899	-	-	16,893	1,566,792
<b>Total Liabilities</b>	<b>2,355,064</b>	<b>212,851</b>	<b>114,427</b>	<b>114,535</b>	<b>2,796,877</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenues	695,465	-	-	31,963	727,428
<b>Total Deferred Inflows of Resources</b>	<b>695,465</b>	<b>-</b>	<b>-</b>	<b>31,963</b>	<b>727,428</b>
<b>Fund Balances (Deficits)</b>					
<b>Nonspendable:</b>					
Prepaid	6,581	-	-	-	6,581
<b>Restricted:</b>					
Debt service	-	-	-	220,005	220,005
Capital projects	-	4,745,381	-	-	4,745,381
Municipal court operations	-	-	-	154,359	154,359
Economic Development	-	-	2,179,447	181,726	2,361,173
<b>Assigned:</b>					
Facilities and grounds	-	-	-	1,640,082	1,640,082
Vehicles and equipment	-	-	-	728,186	728,186
Information technology equipment	-	-	-	336,735	336,735
<b>Unassigned</b>	<b>8,158,830</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,158,830</b>
<b>Total Fund Balances (Deficits)</b>	<b>8,165,411</b>	<b>4,745,381</b>	<b>2,179,447</b>	<b>3,261,093</b>	<b>18,351,332</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 11,215,940</b>	<b>\$ 4,958,232</b>	<b>\$ 2,293,874</b>	<b>\$ 3,407,591</b>	<b>\$ 21,875,637</b>

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

**Total Fund Balance, Governmental Funds** \$ 18,351,332

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 19,873,390

Other long-term assets that are not available to pay for current period expenditures and, therefore, are either deferred or not reported in the funds.  
 Unavailable revenue 727,428

Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.  
 Pension related (977,607)  
 OPEB related 149,843

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 (7,555,000)  
 Premiums on bonds (377,452)  
 Financed purchase arrangements (275,311)  
 Leases payable (8,495)  
 Accrued interest payable (76,002)  
 Net pension liability (2,605,436)  
 Total OPEB liability (1,041,051)  
 Compensated absences (302,930)

**Net Position of Governmental Activities in the Statement of Net Position** \$ 25,882,709

**CITY OF FREEPORT, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

*For the Year Ended September 30, 2022*

	<u>General Fund</u>	<u>2020 CO Bond CIP Fund</u>	<u>Economic Development Corporation</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes:					
Property taxes	\$ 3,092,192	\$ -	\$ -	\$ 707,659	\$ 3,799,851
Sales and use taxes	2,361,795	-	1,180,898	-	3,542,693
Franchise fees and other	664,892	-	-	8,586	673,478
Industrial district	8,171,633	-	-	-	8,171,633
Fines and forfeitures	234,733	-	-	37,107	271,840
Licenses and permits	293,039	-	-	-	293,039
Intergovernmental	1,795,558	-	18,946	-	1,814,504
Charges for services	2,283,055	-	-	-	2,283,055
Investment earnings	79,118	48,792	16,654	19,552	164,116
Miscellaneous	590,882	-	6,700	1,000	598,582
<b>Total Revenues</b>	<u>19,566,897</u>	<u>48,792</u>	<u>1,223,198</u>	<u>773,904</u>	<u>21,612,791</u>
<b>Expenditures</b>					
Current:					
General government	2,117,476	-	-	18,946	2,136,422
Public safety	7,798,214	-	-	21,788	7,820,002
Streets and drainage	1,366,487	-	-	-	1,366,487
Sanitation	887,107	-	-	-	887,107
Service center	206,603	-	-	-	206,603
Culture and recreation	3,265,160	-	-	-	3,265,160
Economic development	183,424	-	477,074	17,500	677,998
Capital outlay	332,881	2,554,767	-	1,730,395	4,618,043
Debt service:					
Principal	45,306	-	-	325,000	370,306
Interest and other charges	12,278	-	-	167,575	179,853
<b>Total Expenditures</b>	<u>16,214,936</u>	<u>2,554,767</u>	<u>477,074</u>	<u>2,281,204</u>	<u>21,527,981</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,351,961</u>	<u>(2,505,975)</u>	<u>746,124</u>	<u>(1,507,300)</u>	<u>84,810</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of assets	58,046	-	-	-	58,046
Transfers in	300,000	-	-	3,754,980	4,054,980
Transfers out	(4,077,980)	-	(150,000)	-	(4,227,980)
<b>Total Other Financing Sources (Uses)</b>	<u>(3,719,934)</u>	<u>-</u>	<u>(150,000)</u>	<u>3,754,980</u>	<u>(114,954)</u>
Net changes in fund balances	(367,973)	(2,505,975)	596,124	2,247,680	(30,144)
<b>Fund Balances - Beginning</b>	<u>8,533,384</u>	<u>7,251,356</u>	<u>1,583,323</u>	<u>1,013,413</u>	<u>18,381,476</u>
<b>Fund Balances - Ending</b>	<u>\$ 8,165,411</u>	<u>\$ 4,745,381</u>	<u>\$ 2,179,447</u>	<u>\$ 3,261,093</u>	<u>\$ 18,351,332</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, 2022**

**Net Change in Fund Balances - Total Governmental Funds:** \$ (30,144)

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	4,618,043
Depreciation/amortization	(2,006,603)

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. (10,618)

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	22,340
Unavailable fines and forfeitures	67,836
Unavailable EMS revenue	24,849

Some expenses (revenues) reported in the statement of activities do not require the use of current financial resources and, therefore, are not expenditures in governmental funds. These are detailed below:

Pension/OPEB related activities	661,945
(Increase) decrease in accrued interest	6,208
(Increase) decrease in compensated absences	1,861

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	325,000
Financed purchase principal payments	8,785
Lease principal payments	36,521

Other debt charges which are treated as expenditures or other sources/uses in the fund basis financial statements are reported in the Statement of Net Position and amortized. The net change for each represents an increase/(decrease) in net position.

Bond premiums/discounts	<u>39,013</u>
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**Change in Net Position of Governmental Activities** \$ 3,765,036

**CITY OF FREEPORT, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2022**

	<b>Business-type Activities</b>
	<b><u>Water and Sewer</u></b>
<b>Assets</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 4,410,254
Receivables, net of allowance:	
Customer accounts	1,525,962
Prepaid interest	<u>60,725</u>
<b>Total Current Assets</b>	<b><u>5,996,941</u></b>
<b>Non-current assets:</b>	
Capital Assets:	
Land	56,200
Construction in progress	1,173,474
Utility system	26,257,966
Equipment and furniture	610,757
Less accumulated depreciation	<u>(18,556,696)</u>
<b>Total Non-Current Assets</b>	<b><u>9,541,701</u></b>
<b>Total Assets</b>	<b><u>15,538,642</u></b>
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources for pensions	31,900
Deferred outflows of resources for OPEB	<u>3,200</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>35,100</u></b>
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	913,370
Accrued interest payable	60,393
Due to other funds	150,000
Customer deposits	298,751
Bonds, notes and loans payable	<u>180,000</u>
<b>Total Current Liabilities</b>	<b><u>1,602,514</u></b>
<b>Non-current liabilities:</b>	
Compensated absences	2,079
Net pension liability	95,300
Total OPEB liability	17,800
Bonds, notes and loans payable	<u>4,732,098</u>
<b>Total Non-Current Liabilities</b>	<b><u>4,847,277</u></b>
<b>Total Liabilities</b>	<b><u>6,449,791</u></b>
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources for pensions	68,000
Deferred inflows of resources for OPEB	<u>1,000</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>69,000</u></b>
<b>Net Position</b>	
Investment in capital assets	9,063,763
Unrestricted	<u>(8,812)</u>
<b>Total Net Position</b>	<b><u>\$ 9,054,951</u></b>

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

	<b>Business-type Activities</b>
	<b>Water and Sewer</b>
<b>Operating Revenues</b>	
Charges for services	\$ 6,407,398
<b>Total Operating Revenues</b>	<u>6,407,398</u>
<b>Operating Expenses</b>	
Personnel services	211,706
Supplies	27,244
Contracted services	2,780,004
Other	454,299
Water purchased	2,452,800
Depreciation	<u>573,236</u>
<b>Total Operating Expenses</b>	<u>6,499,289</u>
Operating income (loss)	<u>(91,891)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest and investment revenue	40,158
Intergovernmental revenue	759,058
Interest expense	<u>(102,531)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>696,685</u>
Income (loss) before transfers	604,794
Transfers in	323,000
Transfers out	<u>(150,000)</u>
Change in net position	777,794
<b>Net Position - Beginning</b>	<u>8,277,157</u>
<b>Net Position - Ending</b>	<u>\$ 9,054,951</u>

**CITY OF FREEPORT, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended September 30, 2022**

	<b>Business-type Activities</b>
	<b><u>Water and Sewer</u></b>
<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 5,904,991
Cash payments to employees for services	(166,092)
Cash payments to suppliers for goods and services	<u>(6,033,378)</u>
<b>Net Cash Provided By (Used For) Operating Activities</b>	<u>(294,479)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers from other funds	323,000
Transfers to other funds	<u>(150,000)</u>
<b>Net Cash Provided By (Used For) Noncapital Financing Activities</b>	<u>173,000</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Intergovernmental revenues	759,058
Principal payments on bonds	(210,000)
Interest and other debt service payments	(125,649)
Acquisition and construction of capital assets	<u>(1,660,892)</u>
<b>Net Cash Provided By (Used For) Capital and Related Financing Activities</b>	<u>(1,237,483)</u>
<b>Cash Flows From Investing Activities</b>	
Investment earnings	<u>40,158</u>
<b>Net Cash Provided By (Used For) Investing Activities</b>	<u>40,158</u>
Net increase (decrease) in cash and cash equivalents	(1,318,804)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>5,729,058</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 4,410,254</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating income (loss)	\$ (91,891)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Depreciation	573,236
(Increase) decrease in accounts receivable	(510,015)
Increase (decrease) in accounts payable	(319,031)
Increase (decrease) in customer deposits	7,608
Increase (decrease) in accrued compensated absences	(2,186)
Increase (decrease) in pension/OPEB liabilities and related amounts	<u>47,800</u>
<b>Total Adjustments</b>	<u>(202,588)</u>
Net cash provided by (used for) operating activities	<u>\$ (294,479)</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.

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.

## CITY OF FREEPORT, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 2 - Summary of Significant Accounting Policies (continued)

##### B. Government-Wide and Fund Financial Statements (continued)

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, 2022, 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, 2022, 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 three 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 expenditures of the 2020 certificates of obligation proceeds.
- The *Economic Development Corporation Fund* is a blended component unit used to capture the activity of the Freeport Economic Development Corporation.

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.

## **CITY OF FREEPORT, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

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

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.

##### **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, 2022 was \$0.60000 per \$100 of assessed valuation.

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

**Note 2 - Summary of Significant Accounting Policies (continued)**

**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
Right to use equipment	Shorter of lease term or 5-15 years
Building and improvements	10-20 years

**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, 2022, 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.

## 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

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 total 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 total 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.

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.

## 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)

- 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.

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.

##### 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.

## **CITY OF FREEPORT, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **L. Fund Equity (continued)**

*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.

##### **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.

## CITY OF FREEPORT, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 2 - Summary of Significant Accounting Policies (continued)

##### 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. Leases

*Lessee:* The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require are measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

##### R. New Accounting Standards

The following statement was effective for fiscal year 2022:

**GASB No. 87, *Leases***, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The affect of this statement is reported in the City's financial statements.

**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, 2022.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Cash</b>			
Cash on hand	\$ 2,050	\$ -	\$ 2,050
Cash deposits	<u>4,361,284</u>	<u>4,410,254</u>	<u>8,771,538</u>
<b>Total Cash</b>	<u>4,363,334</u>	<u>4,410,254</u>	<u>8,773,588</u>
<b>Investments:</b>			
Local Government Investment Pools:			
TexPool	12,479,158	-	12,479,158
TexClass	<u>3,017,220</u>	-	<u>3,017,220</u>
<b>Total Investments</b>	<u>15,496,378</u>	<u>-</u>	<u>15,496,378</u>
<b>Total Cash and Investments</b>	<u>\$ 19,859,712</u>	<u>\$ 4,410,254</u>	<u>\$ 24,269,966</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. As of September 30, 2022, the City’s deposits were fully collateralized.

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.

**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).

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

**Note 3 - Deposits and Investments (continued)**

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 2022, 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:

<b>Investment Type</b>	<b>Amortized Cost/ Fair Value</b>	<b>Percentage of Portfolio</b>	<b>Weighted Average Maturity</b>
<b>Local Government Investment Pools:</b>			
TexPool	\$ 12,479,158	81%	25
TexClass	<u>3,017,220</u>	<u>19%</u>	24
Total	<u>\$ 15,496,378</u>	<u>100%</u>	25

**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.

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

**Note 4 - Receivables**

Amounts recorded as receivables as of September 30, 2022, 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>Economic Development Corporation</u>	<u>Non-Major Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
<b>Receivables:</b>					
Property taxes	\$ 213,963	\$ -	\$ 45,661	\$ -	\$ 259,624
Sales taxes	430,966	215,483	91,239	-	737,688
Fines and forfeitures	379,997	-	-	-	379,997
EMS	530,632	-	-	-	530,632
Garbage collection	163,524	-	-	-	163,524
Water and Sewer	-	-	-	1,658,634	1,658,634
Other Governments	3,570	-	-	-	3,570
Other	183,514	-	1,380	-	184,894
Gross Receivables	1,906,166	215,483	138,280	1,658,634	3,918,563
Less: allowance for uncollectibles	(436,670)	-	(80,785)	-	(517,455)
<b>Net Total Receivables</b>	<u>\$ 1,469,496</u>	<u>\$ 215,483</u>	<u>\$ 57,495</u>	<u>\$ 1,658,634</u>	<u>\$ 3,401,108</u>

**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, 2022, 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	\$ 146,773	\$ 31,963	\$ 178,736
Fines and forfeitures	379,997	-	379,997
Ambulance services	168,695	-	168,695
	<u>\$ 695,465</u>	<u>\$ 31,963</u>	<u>\$ 727,428</u>

Revenues for which payment is received prior to the exchange occurring or grant requirements have been met should be deferred and are considered unearned until the requirements for recognition have been met. As of September 30, 2022, the City reported the following unearned revenue:

	<u>General Fund</u>	<u>Non-major governmental funds</u>	<u>Total</u>
Grants	\$ 1,549,899	\$ -	\$ 1,549,899
Cash seizures and forfeitures	-	16,893	16,893
	<u>\$ 1,549,899</u>	<u>\$ 16,893</u>	<u>\$ 1,566,792</u>

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

**Note 5 - Capital Assets**

A summary of activity for capital assets capitalized by the City for the year ended September 30, 2022, follows:

	Beginning Balance, as Restated	Additions	(Retirements)	Transfers	Ending Balance
<b>Governmental Activities</b>					
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 4,915,116	\$ -	\$ -	\$ -	\$ 4,915,116
Construction in progress	607,501	2,423,491		(520,563)	2,510,429
<b>Total Capital Assets, Not Being Depreciated</b>	<u>5,522,617</u>	<u>2,423,491</u>	<u>-</u>	<u>(520,563)</u>	<u>7,425,545</u>
<b>Capital Assets Being Depreciated:</b>					
Streets and improvements	25,517,475	373,273	-	502,163	26,392,911
Buildings and improvements	8,097,842	435,303	(20,732)	10,160	8,522,573
Furniture, equipment, and vehicles	15,187,010	1,385,976	(111,964)	8,240	16,469,262
Right to use leased assets	17,280	-	-	-	17,280
<b>Total Capital Assets Being Depreciated</b>	<u>48,819,607</u>	<u>2,194,552</u>	<u>(132,696)</u>	<u>520,563</u>	<u>51,402,026</u>
<b>Less Accumulated Depreciation For:</b>					
Streets and improvements	(19,002,450)	(877,054)	-	-	(19,879,504)
Buildings and improvements	(5,799,897)	(235,701)	12,225	-	(6,023,373)
Furniture, equipment, and vehicles	(12,267,309)	(885,198)	109,853	-	(13,042,654)
Right to use leased assets	-	(8,650)	-	-	(8,650)
<b>Total Accumulated Depreciation</b>	<u>(37,069,656)</u>	<u>(2,006,603)</u>	<u>122,078</u>	<u>-</u>	<u>(38,954,181)</u>
<b>Total Governmental Activities Capital Assets, Net</b>	<u>\$ 17,272,568</u>	<u>\$ 2,611,440</u>	<u>\$ (10,618)</u>	<u>\$ -</u>	<u>\$ 19,873,390</u>
<b>Business-type Activities</b>					
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 56,200	\$ -	\$ -	\$ -	\$ 56,200
Construction in progress	25,139	1,173,474		(25,139)	1,173,474
<b>Total Capital Assets, Not Being Depreciated</b>	<u>81,339</u>	<u>1,173,474</u>	<u>-</u>	<u>(25,139)</u>	<u>1,229,674</u>
<b>Capital Assets Being Depreciated:</b>					
Water and sewer system	25,944,840	287,987	-	25,139	26,257,966
Furniture, equipment, and vehicles	411,326	199,431	-	-	610,757
<b>Total Capital Assets Being Depreciated</b>	<u>26,356,166</u>	<u>487,418</u>	<u>-</u>	<u>25,139</u>	<u>26,868,723</u>
<b>Less Accumulated Depreciation For:</b>					
Water and sewer system	(17,797,447)	(520,852)	-	-	(18,318,299)
Furniture, equipment, and vehicles	(186,013)	(52,384)	-	-	(238,397)
<b>Total Accumulated Depreciation</b>	<u>(17,983,460)</u>	<u>(573,236)</u>	<u>-</u>	<u>-</u>	<u>(18,556,696)</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>\$ 8,454,045</u>	<u>\$ 1,087,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,541,701</u>

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

**Note 5 - Capital Assets (continued)**

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

<u>Function</u>	<u>Depreciation/ Amortization Expense</u>
<b>Governmental Activities</b>	
General Administration	\$ 268,212
Economic Development	88,424
Public Safety	601,094
Service Center	16,950
Streets and Drainage	616,192
Parks and Recreation	415,731
<b>Total Governmental Activities</b>	<u>\$ 2,006,603</u>
<b>Business-type Activities</b>	
Water and sewer	<u>\$ 573,236</u>

**Note 6 - Long-Term Debt**

During the year ended September 30, 2022, the following changes occurred in long-term liabilities:

	<u>Balance 10/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2022</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Certificates of obligation	\$ 7,880,000	\$ -	\$ (325,000)	\$ 7,555,000	\$ 340,000
Premiums on issuance of debt	416,465	-	(39,013)	377,452	-
Leases payable	17,280	-	(8,785)	\$ 8,495	7,909
Financed purchase	311,832	-	(36,521)	275,311	38,069
Compensated absences	304,791	-	(1,861)	302,930	121,172
<b>Total Governmental Activities</b>	<u>\$ 8,930,368</u>	<u>\$ -</u>	<u>\$ (411,180)</u>	<u>\$ 8,519,188</u>	<u>\$ 507,150</u>
<b>Business-type Activities:</b>					
Certificates of obligation	\$ 4,845,000	\$ -	\$ (210,000)	\$ 4,635,000	\$ 180,000
Premiums on issuance of debt	300,036	-	(22,938)	277,098	-
Compensated absences	4,265	-	(2,186)	2,079	832
<b>Total Business-type Activities</b>	<u>\$ 5,149,301</u>	<u>\$ -</u>	<u>\$ (235,124)</u>	<u>\$ 4,914,177</u>	<u>\$ 180,832</u>

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

**Note 6 - Long-Term Debt (continued)**

Outstanding certificates of obligation as of September 30, 2022 consist of the following:

<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
<b>Governmental Activities</b>				
Series 2008 Certificate of Obligation	3.79%	\$ 3,350,000	4/1/2023	\$ 285,000
Series 2020 Combination Tax and Revenue Certificates of Obligation	1.125% - 4.125%	7,735,000	4/1/2040	<u>7,270,000</u>
<b>Total Certificates of Obligation - Governmental Activities</b>				<u><u>\$ 7,555,000</u></u>
<b>Business-Type Activities</b>				
Series 2021 Certificate of Obligation	2.00-4.00%	\$ 4,845,000	4/1/2041	<u>\$ 4,635,000</u>
<b>Total Certificates of Obligation - Business-Type Activities</b>				<u><u>\$ 4,635,000</u></u>

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

**Certificates of Obligation**

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 340,000	\$ 152,840	\$ 492,840
2024	360,000	139,768	499,768
2025	365,000	133,468	498,468
2026	370,000	127,994	497,994
2027	375,000	122,444	497,444
2028-2032	2,050,000	436,192	2,486,192
2033-2037	2,255,000	236,020	2,491,020
2038-2042	1,440,000	56,238	1,496,238
	<u>\$ 7,555,000</u>	<u>\$ 1,404,964</u>	<u>\$ 8,959,964</u>

**Certificates of Obligation**

<u>Year Ending September 30,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 180,000	\$ 121,450	\$ 301,450
2024	190,000	114,250	304,250
2025	195,000	106,650	301,650
2026	205,000	98,850	303,850
2027	215,000	90,650	305,650
2028-2032	1,180,000	335,350	1,515,350
2033-2037	1,325,000	195,000	1,520,000
2038-2042	1,145,000	57,600	1,202,600
	<u>\$ 4,635,000</u>	<u>\$ 1,119,800</u>	<u>\$ 5,754,800</u>

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

**Note 6 - Long-Term Debt (continued)**

**Financed Purchase Arrangements**

On August 3, 2021, the City entered into a financed-purchase agreement for fifty-five (55) Dr2A Golf Cart, one (1) YU1A Range Picker, and three (3) YU2A golf carts from September 1, 2021 to November 1, 2025. The financed capital assets and related long-term liabilities are accounted for in the statement of net position. Capital assets under financed purchase arrangements had a net book value of \$283,436 at September 30, 2022. The following is a schedule of future minimum payments:

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 38,069	\$ 10,675	\$ 48,744
2024	39,683	9,117	48,800
2025	41,364	7,435	48,799
2026	156,195	541	156,736
	<u>\$ 275,311</u>	<u>\$ 27,768</u>	<u>\$ 303,079</u>

**Compensated Absences**

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

**Leases Payable**

During the year ended September 30, 2018, the City entered into 5-year lease agreements for the right to use copy machines and a digital mailing system. The future principal and interest payments are as follows:

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 7,909	\$ 25	\$ 7,934
2024	586	-	586
	<u>\$ 8,495</u>	<u>\$ 25</u>	<u>\$ 8,520</u>

The associated right to use the equipment is reported with capital assets, net of accumulated amortization, for the following amounts as of September 30, 2022:

<b>Asset Class</b>	<b>Governmental Activities</b>		
	<b>Lease Asset Value</b>	<b>Accumulated Amortization</b>	<b>Net Value</b>
Equipment	\$ 17,280	\$ (8,650)	\$ 8,630
	<u>\$ 17,280</u>	<u>\$ (8,650)</u>	<u>\$ 8,630</u>

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

**Note 7 - Interfund Receivables, Payables, And Transfers**

The composition of interfund balances as of September 30, 2022, is as follows:

	<u>Receivable</u>		
	<u>General Fund</u>	<u>Economic Development Corporation</u>	<u>Totals</u>
<b>Payable Fund</b>			
<b>Governmental activities</b>			
Economic Development Corporation	\$ 21,504	\$ -	\$ 21,504
Nonmajor governmental funds	-	18,946	18,946
Total governmental activities, net	<u>21,504</u>	<u>18,946</u>	<u>40,450</u>
<b>Business-type activities</b>			
Water and sewer Fund	150,000	-	150,000
Total business-type activities, net	<u>150,000</u>	<u>-</u>	<u>150,000</u>
<b>Net interfund totals</b>	<u>\$ 171,504</u>	<u>\$ 18,946</u>	<u>\$ 190,450</u>

The composition of interfund transfers during fiscal year 2022, is as follows:

	<u>Transfers in</u>			
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Net</u>
<b>Transfers out</b>				
<b>Governmental activities</b>				
General fund	\$ -	\$ 3,754,980	\$ 323,000	\$ 4,077,980
Economic development corporation	150,000	-	-	150,000
Total governmental activities, net	<u>150,000</u>	<u>3,754,980</u>	<u>323,000</u>	<u>4,227,980</u>
<b>Business-type activities</b>				
Water and sewer Fund	150,000	-	-	150,000
Total business-type activities	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
<b>Net interfund totals</b>	<u>\$ 300,000</u>	<u>\$ 3,754,980</u>	<u>\$ 323,000</u>	<u>\$ 4,377,980</u>

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.tMrs.org](http://www.tMrs.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 2021
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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	93
Inactive employees entitled to but not yet receiving benefits	119
Number of active employees	128
Total	340

**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 14.21% and 14.09% in calendar years 2021 and 2022 respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$1,038,883 and were equal to the required contributions.

**Net Pension Liability**

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

**Actuarial Assumptions**

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

Inflation rate	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

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

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

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

**Note 8 - Employee Retirement System (continued)**

**Actuarial Assumptions (continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
<b>Total</b>	<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, 2022, those percentages were 98% and 2%, 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**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	(a)	(b)	(a) - (b)
Balance at December 31, 2020	\$ 31,885,820	\$ 27,614,432	\$ 4,271,388
Service Cost	1,227,173	-	1,227,173
Interest (on the Total Pension Liability)	2,145,373	-	2,145,373
Difference between expected and actual experience	199,603	-	199,603
Contributions – employer	-	1,057,969	(1,057,969)
Contributions – employee	-	521,251	(521,251)
Net investment income	-	3,599,409	(3,599,409)
Administrative Expense	-	(16,657)	16,657
Other	-	114	(114)
Benefit payments, including refunds of employee contributions	(1,432,204)	(1,432,204)	-
Net change	2,139,945	3,729,882	(1,589,937)
Balance at December 31, 2021	<u>\$ 34,025,765</u>	<u>\$ 31,344,314</u>	<u>\$ 2,681,451</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:

	<b>1% Decrease (5.75%)</b>	<b>Current (6.75%)</b>	<b>1% Increase (7.75%)</b>
City's Net Pension Liability	\$ 8,107,120	\$ 2,681,451	\$ (1,661,656)

**Pension Plan Fiduciary Net Position**

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

**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, 2022, the City recognized pension expense of \$329,275 .

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in expected and actual experience	\$ 138,562	\$ 73,648
Changes of assumptions	15,276	-
Net difference between projected and actual earnings	-	1,839,043
Contributions made subsequent to measurement date	745,146	-
	<u>\$ 898,984</u>	<u>\$ 1,912,691</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$745,146 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2022 (recognized in the City’s financial statements September 30, 2023). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30:</u>	<u>Amount</u>
2023	\$ (322,302)
2024	(716,438)
2025	(373,026)
2026	<u>(347,087)</u>
Total	<u>\$ (1,758,853)</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](http://www.tesrs.org).

The City’s contributions to the plan for plan year 2021 were 0.018% and the collective net pension liability as of August 31, 2021 for all participants was \$10,714,152. The estimated share of the net pension liability for the City is approximately \$19,285. Due to the insignificance of the amounts and the time required to make such calculations, this is the only adjustment made for GASB No. 68 for the TESRS Pension Plan to the current year financial statements.

**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, 2021 was as follows:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	24
Number of active employees	<u>128</u>
<b>Total</b>	<u><u>210</u></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 0.19% 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 1.84% based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2021.

**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, 2021 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*	1.84%
Retirees' share of benefit-related costs	0%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\*The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2021.

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

**Basis of Allocation**

OPEB items are allocated between governmental activities and business-type activities on the basis of employee payroll funding. For the year ended September 30, 2022, those percentages were 98% and 2%, respectively, which approximated the prior year’s allocations.

**Changes in the Total OPEB Liability**

Balance at December 31, 2020	\$ 472,377
Changes for the year:	
Service cost	24,573
Interest on Total OPEB Liability	9,611
Difference between expected and actual experience	(14,158)
Changes in assumptions or other inputs	16,220
Benefit payments	<u>(8,191)</u>
Net changes	<u>28,055</u>
Balance at December 31, 2021	<u>\$ 500,432</u>

Ending total OPEB liability is as of December 31, 2021. Changes of assumptions reflect a change in the discount rate from 2.75% as of December 31, 2020 to 1.84% as of December 31, 2021.

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

**Note 9 - Other Post-Employment Benefits (continued)**

**TMRS Supplemental Death Benefits Fund (continued)**

**Sensitivity Analysis**

The following presents the total OPEB liability of the employer, calculated using the discount rate of 1.84%, 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 or 1 percentage point higher 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.

	<b>1% Decrease (0.84%)</b>	<b>Current (1.84%)</b>	<b>1% Increase (2.84%)</b>
City's Total OPEB Liability	\$ 620,704	\$ 500,432	\$ 409,671

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$54,807

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in expected and actual experience	\$ -	\$ 21,427
Change in assumptions	85,916	6,997
Contributions made subsequent to measurement date	3,175	-
<b>Total</b>	<b>\$ 89,091</b>	<b>\$ 28,424</b>

The \$3,175 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, 2023.

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:

<b>Year ended September 30:</b>	<b>Amount</b>
2023	\$ 19,363
2024	17,490
2025	17,664
2026	2,913
2027	62
<b>Total</b>	<b>\$ 57,492</b>

**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 Cigna Healthcare Insurance to provide health care benefits coverage for employees and retirees and dependents of employees and retirees. The City is currently offering health care benefits coverage through the RHCP which allows the extension of the benefits to retirees of the City. The City provides health benefits coverage to its retirees through RHCP and the cost of such coverage is paid entirely by the retiree. An employee who is under the 60 years of age and has been covered by TMRS (Texas Municipal Retirement Systems) 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 fifteen (15) continuous years and meet the definition of retiree for the purposes of the ordinance.

**Benefits Provided**

The RHCP provides pre sixty-five benefit coverages which will continue until the end of the month for the covered retiree’s 65<sup>th</sup> birthday. Coverage for early retirees under these plans will require that early retiree enroll in the Cigna Healthcare Insurance within 31 days of commencement of their pre 65 retirement, meet the plans definition of retiree, and that retiree receive all other applicable benefits provided to the retiree population. The pre sixty-five plan offer the retirees a choice of one of three plan options which consist of a base, buy-up and high deductible. Each plan has a specified rate that varies year over year.

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	0
Active Plan Members	<u>124</u>
<b>Total</b>	<u><u>124</u></u>

**Total OPEB Liability**

The City’s total OPEB liability of \$558,418 was measured as of December 31, 2021 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, 2021 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	1.84%
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 1.84% (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 2.75% 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, 2020	\$ 431,425
Changes for the year:	
Service cost	24,748
Interest on Total OPEB Liability	9,123
Change in benefit terms	(21,529)
Difference between expected and actual experience	(27,506)
Changes in assumptions or other inputs	142,157
Net changes	<u>126,993</u>
Balance at December 31, 2021	<u><u>\$ 558,418</u></u>

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

**Note 9 - Other Post-Employment Benefits (continued)**

**Retiree Healthcare Plan (continued)**

**Changes in the Total OPEB Liability (continued)**

The ending Total OPEB Liability was \$558,418 as of December 31, 2021.

Changes of assumptions reflect a change in the discount rate from 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021, 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 1.84%, 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:

	<u>1% Decrease (0.84%)</u>	<u>Current (1.84%)</u>	<u>1% Increase (2.84%)</u>
Retiree Health Care Plan	\$ 456,549	\$ 558,418	\$ 688,407

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

	<u>Current Healthcare Cost Trend Rate Assumption</u>		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Retiree Health Care Plan	\$ 648,143	\$ 558,418	\$ 480,792

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

For the year ended September 30, 2022, the City recognized a (negative) OPEB expense of \$22,185.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in expected and actual experience	\$ 175	\$ 76,840
Change in assumptions	170,738	5,040
Contributions made subsequent to measurement date	2,343	-
<b>Total</b>	<u>\$ 173,256</u>	<u>\$ 81,880</u>

The \$2,343 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, 2023.

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

**Note 9 - Other Post-Employment Benefits (continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (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:

<b>Year ended</b>	<b>Amount</b>
<b>September 30:</b>	
2023	\$ 9,013
2024	7,518
2025	8,228
2026	9,508
2027	14,071
Thereafter	40,695
Total	<u>\$ 89,033</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, 2022 was \$8,171,633 and is reported in the General Fund.

**Note 12 - Subsurface Agreement**

The City entered into a subsurface agreement with the Dow Chemical Corporation in July 2017. The terms of the agreement are 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 agreement. The amount received under this agreement during the year ended September 30, 2022 was \$100,000. This agreement conveys the right to use the subsurface of a tract of land but does not convey the right to use any portion of the land above the subsurface. Therefore, this agreement is excluded from the reporting requirements of GASB 87, *Leases*.

**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, 2022, the City of Freeport's portion of these expenses is estimated to be \$70,648.

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, 2022, the City paid \$119,119 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**



**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, 2022*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 3,054,000	\$ 3,054,000	\$ 3,092,192	\$ 38,192
Sales and use taxes	2,000,000	2,030,000	2,361,795	331,795
Franchise fees and other	723,100	723,100	664,892	(58,208)
Industrial district	8,272,790	8,272,790	8,171,633	(101,157)
Fines and forfeitures	406,200	406,200	234,733	(171,467)
Licenses and permits	145,385	145,385	293,039	147,654
Intergovernmental	1,552,200	1,814,203	1,795,558	(18,645)
Charges for services	2,173,100	2,173,100	2,283,055	109,955
Investment earnings	12,000	12,000	79,118	67,118
Miscellaneous	291,927	301,727	590,882	289,155
<b>Total Revenues</b>	<u>18,630,702</u>	<u>18,932,505</u>	<u>19,566,897</u>	<u>634,392</u>
<b>Expenditures</b>				
Current:				
General government	1,959,984	2,207,443	2,117,476	89,967
Public safety	8,060,406	7,958,059	7,798,214	159,845
Streets and drainage	1,431,147	1,729,484	1,366,487	362,997
Sanitation	-	931,000	887,107	43,893
Service center	224,033	215,276	206,603	8,673
Culture and recreation	3,561,339	3,414,904	3,265,160	149,744
Economic development	180,000	183,425	183,424	1
Capital outlay	476,500	999,662	332,881	666,781
Debt service:				
Principal	-	-	45,306	(45,306)
Interest and other charges	-	-	12,278	(12,278)
<b>Total Expenditures</b>	<u>15,893,409</u>	<u>17,639,253</u>	<u>16,214,936</u>	<u>1,424,317</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,737,293</u>	<u>1,293,252</u>	<u>3,351,961</u>	<u>2,058,709</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of assets	30,000	30,000	58,046	28,046
Transfers in	150,000	150,000	300,000	150,000
Transfers out	(3,626,815)	(4,078,618)	(4,077,980)	638
<b>Total Other Financing Sources (Uses)</b>	<u>(3,446,815)</u>	<u>(3,898,618)</u>	<u>(3,719,934)</u>	<u>178,684</u>
Net changes in fund balances	(709,522)	(2,605,366)	(367,973)	2,237,393
<b>Fund Balances - Beginning</b>	<u>8,533,384</u>	<u>8,533,384</u>	<u>8,533,384</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 7,823,862</u>	<u>\$ 5,928,018</u>	<u>\$ 8,165,411</u>	<u>\$ 2,237,393</u>

**CITY OF FREEPORT, TEXAS**  
**ECONOMIC DEVELOPMENT CORPORATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON SCHEDULE - ECONOMIC DEVELOPMENT CORPORATION**  
**For the Year Ended September 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>				
Taxes:				
Sales and use taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,180,898	\$ (19,102)
Intergovernmental	-	-	18,946	18,946
Investment earnings	-	-	16,654	16,654
Miscellaneous	-	-	6,700	6,700
<b>Total Revenues</b>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,223,198</u>	<u>23,198</u>
<b>Expenditures</b>				
Current:				
Economic development	1,547,039	1,719,039	477,074	1,241,965
Debt service:				
Principal	600,000	428,000	-	428,000
<b>Total Expenditures</b>	<u>2,147,039</u>	<u>2,147,039</u>	<u>477,074</u>	<u>1,669,965</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(947,039)</u>	<u>(947,039)</u>	<u>746,124</u>	<u>1,693,163</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(150,000)	(150,000)	(150,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Net changes in fund balances	(1,097,039)	(1,097,039)	596,124	1,693,163
<b>Fund Balances - Beginning</b>	<u>1,583,323</u>	<u>1,583,323</u>	<u>1,583,323</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 486,284</u>	<u>\$ 486,284</u>	<u>\$ 2,179,447</u>	<u>\$ 1,693,163</u>

**CITY OF FREEPORT, TEXAS**

**NOTES TO THE REQUIRED SUPPLEMENTARY BUDGET INFORMATION**

**Year Ended September 30, 2022**

**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.

The City exceeded budgetary appropriations for expenditure debt service principal and interest in the General Fund due to unanticipated consequences of the implementation of GASB 87, *Leases*.

## TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)

## Schedule of Changes in Net Pension Liability and Related Ratios

## Last Eight Measurement Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total Pension Liability:</b>				
Service cost	\$ 1,227,173	\$ 1,210,072	\$ 1,020,294	\$ 972,644
Interest	2,145,373	2,021,037	1,923,902	1,828,285
Difference between expected and actual experience	199,603	(61,634)	(459,710)	(84,705)
Change in assumptions	-	-	142,572	-
Benefit payments, including refunds of employee contributions	<u>(1,432,204)</u>	<u>(1,239,813)</u>	<u>(1,326,009)</u>	<u>(1,321,000)</u>
Net change in total pension liability	2,139,945	1,929,662	1,301,049	1,395,224
<b>Total Pension Liability - Beginning</b>	<u>31,885,820</u>	<u>29,956,158</u>	<u>28,655,109</u>	<u>27,259,885</u>
<b>Total Pension Liability - Ending (a)</b>	<u>34,025,765</u>	<u>\$ 31,885,820</u>	<u>\$ 29,956,158</u>	<u>\$ 28,655,109</u>
<b>Plan Fiduciary Net Position:</b>				
Contributions - employer	\$ 1,057,969	\$ 1,072,524	\$ 904,482	\$ 896,313
Contributions - employee	521,251	524,814	444,711	440,294
Net investment income	3,599,409	1,923,014	3,392,674	(677,553)
Benefit payments, including refunds of employee contributions	(1,432,204)	(1,239,813)	(1,326,009)	(1,321,000)
Administrative expense	(16,657)	(12,450)	(19,175)	(13,099)
Other	114	(486)	(576)	(684)
Net change in plan fiduciary net position	3,729,882	2,267,603	3,396,107	(675,729)
<b>Plan Fiduciary Net Position - Beginning</b>	<u>27,614,432</u>	<u>25,346,829</u>	<u>21,950,722</u>	<u>22,626,451</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>31,344,314</u>	<u>27,614,432</u>	<u>25,346,829</u>	<u>21,950,722</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 2,681,451</u>	<u>\$ 4,271,388</u>	<u>\$ 4,609,329</u>	<u>\$ 6,704,387</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	92.12%	86.60%	84.61%	76.60%
<b>Covered Payroll</b>	\$ 7,446,438	\$ 7,497,348	\$ 6,353,014	\$ 6,275,121
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	36.01%	56.97%	72.55%	106.84%

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

## TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)

## Schedule of Changes in Net Pension Liability and Related Ratios

## Last Eight Measurement Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability:</b>				
Service cost	\$ 1,069,778	\$ 941,887	\$ 867,502	\$ 749,370
Interest	1,693,736	1,586,800	1,511,254	1,424,774
Difference between expected and actual experience	462,205	(31,659)	276,833	(132,087)
Change in assumptions	-	-	116,881	-
Benefit payments, including refunds of employee contributions	<u>(1,046,653)</u>	<u>(906,817)</u>	<u>(874,894)</u>	<u>(856,501)</u>
Net change in total pension liability	2,179,066	1,590,211	1,897,576	1,185,556
<b>Total Pension Liability - Beginning</b>	<u>25,080,819</u>	<u>23,490,608</u>	<u>21,593,032</u>	<u>20,407,476</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 27,259,885</u>	<u>\$ 25,080,819</u>	<u>\$ 23,490,608</u>	<u>\$ 21,593,032</u>
<b>Plan Fiduciary Net Position:</b>				
Contributions - employer	\$ 944,578	\$ 773,757	\$ 699,079	\$ 600,889
Contributions - employee	464,589	409,932	385,600	348,367
Net investment income	2,709,724	1,221,694	26,362	962,281
Benefit payments, including refunds of employee contributions	(1,046,653)	(906,817)	(874,894)	(856,501)
Administrative expense	(14,056)	(13,803)	(16,057)	(10,047)
Other	<u>(712)</u>	<u>(744)</u>	<u>(792)</u>	<u>(826)</u>
Net change in plan fiduciary net position	3,057,470	1,484,019	219,298	1,044,163
<b>Plan Fiduciary Net Position - Beginning</b>	<u>19,568,981</u>	<u>18,084,962</u>	<u>17,865,664</u>	<u>16,821,501</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>22,626,451</u>	<u>19,568,981</u>	<u>18,084,962</u>	<u>17,865,664</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 4,633,434</u>	<u>\$ 5,511,838</u>	<u>\$ 5,405,646</u>	<u>\$ 3,727,368</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	83.00%	78.02%	76.99%	82.74%
<b>Covered Payroll</b>	\$ 6,636,342	\$ 5,846,596	\$ 5,501,315	\$ 4,976,675
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	69.82%	94.27%	98.26%	74.90%

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 Eight Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 1,038,883	\$ 1,095,630	\$ 1,004,021	\$ 892,025
Contribution in relation of the actuarially determined contribution	<u>1,038,883</u>	<u>1,095,630</u>	<u>1,004,021</u>	<u>892,025</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 7,257,170	\$ 7,593,889	\$ 7,028,033	\$ 6,444,398
Contributions as a percentage of covered payroll	14.3%	14.4%	14.3%	13.8%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 912,207	\$ 773,757	\$ 699,079	\$ 677,622
Contribution in relation of the actuarially determined contribution	<u>912,207</u>	<u>773,757</u>	<u>699,079</u>	<u>677,622</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,461,534	\$ 5,846,596	\$ 5,501,315	\$ 4,976,675
Contributions as a percentage of covered payroll	14.1%	13.2%	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	24 Years (longest amortization ladder)
Asset valuation method	10-year smoothed market; 12% 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.

**Other Information:**

Notes: There were no benefit changes during the year.

**CITY OF FREEPORT, TEXAS**

**TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFIT (UNAUDITED)**

**Schedule of Changes in Total OPEB Liability and Related Ratios**

**Last Five Measurement Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability:</b>					
Service cost	\$ 24,573	\$ 22,492	\$ 12,706	\$ 11,923	\$ 10,618
Interest	9,611	10,633	11,579	10,724	10,509
Difference between expected and actual experience	(14,158)	(397)	(15,039)	(9,540)	-
Change in assumptions	16,220	65,740	63,192	(23,177)	26,796
Benefit payments	(8,191)	(2,999)	(2,541)	(1,883)	(3,318)
Total change in total OPEB liability	<u>28,055</u>	<u>95,469</u>	<u>69,897</u>	<u>(11,953)</u>	<u>44,605</u>
<b>Total OPEB Liability - Beginning</b>	<u>472,377</u>	<u>376,908</u>	<u>307,011</u>	<u>318,964</u>	<u>274,359</u>
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 500,432</u>	<u>\$ 472,377</u>	<u>\$ 376,908</u>	<u>\$ 307,011</u>	<u>\$ 318,964</u>
<b>Covered Payroll</b>	\$ 7,446,438	\$ 7,497,348	\$ 6,353,014	\$ 6,275,121	\$ 6,636,342
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	6.72%	6.30%	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*	1.84%
Retirees' share of benefit-related costs	0%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019Municipal Retirees of TexasMortality 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 subject to the floor.

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

**CITY OF FREEPORT, TEXAS**

**RETIREE HEALTH CARE PLAN (UNAUDITED)**

**Schedule of Changes in Total OPEB Liability and Related Ratios**

**Last Five Measurement Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>					
Service cost	\$ 24,748	\$ 24,263	\$ 26,027	\$ 27,301	\$ 24,443
Interest on the total OPEB liability	9,124	10,346	16,948	16,533	17,182
Changes of benefit terms	(21,529)		(106,501)	-	-
Difference between expected and actual experience	(27,506)	231	(99,594)	(715)	-
Change in assumptions	142,157	34,141	33,523	(16,480)	20,081
Benefit payments	-	(3,252)	(7,424)	(19,500)	(9,750)
<b>Total change in total OPEB liability</b>	<u>126,994</u>	<u>65,729</u>	<u>(137,021)</u>	<u>7,139</u>	<u>51,956</u>
<b>Total OPEB liability - beginning</b>	<u>431,425</u>	<u>365,696</u>	<u>502,717</u>	<u>495,578</u>	<u>443,622</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 558,419</u>	<u>\$ 431,425</u>	<u>\$ 365,696</u>	<u>\$ 502,717</u>	<u>\$ 495,578</u>
<b>Covered payroll</b>	\$ 7,257,170	\$ 6,234,975	\$ 6,353,014	\$ 6,275,121	\$ 6,636,342
<b>Total OPEB liability as a percentage of covered payroll</b>	7.69%	6.92%	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:

2022	1.84%
2021	2.00%
2020	2.75%
2019	3.71%
2018	3.31%

**Summary of Actuarial Assumptions:**

Valuation Date	12/31/2021
Actuarial Cost Method	Entry Age Normal
Discount Rate	1.84%
Inflation	2.50%
Salary Scale	3.5% to 11.50%
Mortality	2019 Municipal Retirees of Texas
Mortality Improvement	UMP-2019
Health care trend (initial/ultimate):	
Initial Rate	7.00%
Ultimate Rate	4.15%
Number of Years	15 Years to Ultimate
Turnover:	Based on TMRS Study
Retirement:	Based on TMRS Study

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF FREEPORT, TEXAS**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**As of September 30, 2022**

	<b>Debt Service Fund</b>	<b>Hotel/Motel Tax</b>	<b>TIRZ</b>	<b>Court Revenue</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 143,585	\$ 94,008	\$ 82,512	\$ 171,252
Receivables, net of allowance				
Taxes receivables	31,963	24,152	-	-
Other receivables	-	-	-	-
Prepaid expenses	76,420	-	-	-
<b>Total Assets</b>	<b><u>\$ 251,968</u></b>	<b><u>\$ 118,160</u></b>	<b><u>\$ 82,512</u></b>	<b><u>\$ 171,252</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	18,946	-
Unearned revenues	-	-	-	16,893
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>18,946</u></b>	<b><u>16,893</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	31,963	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>31,963</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances (Deficits)</b>				
<b>Nonspendable:</b>				
<b>Restricted:</b>				
Debt service	220,005	-	-	-
Municipal court operations	-	-	-	154,359
Economic Development	-	118,160	63,566	-
<b>Assigned:</b>				
Facilities and grounds	-	-	-	-
Vehicles and equipment	-	-	-	-
Information technology equipment	-	-	-	-
<b>Total Fund Balances (Deficits)</b>	<b><u>220,005</u></b>	<b><u>118,160</u></b>	<b><u>63,566</u></b>	<b><u>154,359</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 251,968</u></b>	<b><u>\$ 118,160</u></b>	<b><u>\$ 82,512</u></b>	<b><u>\$ 171,252</u></b>

**CITY OF FREEPORT, TEXAS**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**As of September 30, 2022**

	<b>Facilities and Grounds CIP</b>	<b>Vehicles and Equipment</b>	<b>IT Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,644,422	\$ 802,542	\$ 335,355	\$ 3,273,676
Receivables, net of allowance				
Taxes receivables	-	-	-	56,115
Other receivables	-	-	1,380	1,380
Prepaid expenses	-	-	-	76,420
<b>Total Assets</b>	<b><u>\$ 1,644,422</u></b>	<b><u>\$ 802,542</u></b>	<b><u>\$ 336,735</u></b>	<b><u>\$ 3,407,591</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 4,340	\$ 74,356	\$ -	\$ 78,696
Due to other funds	-	-	-	18,946
Unearned revenues	-	-	-	16,893
<b>Total Liabilities</b>	<b><u>4,340</u></b>	<b><u>74,356</u></b>	<b><u>-</u></b>	<b><u>114,535</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	-	-	-	31,963
<b>Total Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>31,963</u></b>
<b>Fund Balances (Deficits)</b>				
<b>Nonspendable:</b>				
<b>Restricted:</b>				
Debt service	-	-	-	220,005
Municipal court operations	-	-	-	154,359
Economic Development	-	-	-	181,726
<b>Assigned:</b>				
Facilities and grounds	1,640,082	-	-	1,640,082
Vehicles and equipment	-	728,186	-	728,186
Information technology equipment	-	-	336,735	336,735
<b>Total Fund Balances (Deficits)</b>	<b><u>1,640,082</u></b>	<b><u>728,186</u></b>	<b><u>336,735</u></b>	<b><u>3,261,093</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 1,644,422</u></b>	<b><u>\$ 802,542</u></b>	<b><u>\$ 336,735</u></b>	<b><u>\$ 3,407,591</u></b>

**CITY OF FREEPORT, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2022**

	<u>Debt Service Fund</u>	<u>Hotel/Motel Tax</u>	<u>TIRZ</u>	<u>Court Revenue</u>
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 656,664	\$ -	\$ 50,995	\$ -
Franchise fees and other	-	8,586	-	-
Fines and forfeitures	-	-	-	37,107
Investment earnings	1,371	730	-	1,470
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<u>658,035</u>	<u>9,316</u>	<u>50,995</u>	<u>38,577</u>
<b>Expenditures</b>				
Current:				
General government	-	-	18,946	-
Public safety	-	-	-	21,788
Economic development	-	17,500	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	325,000	-	-	-
Interest and other charges	167,575	-	-	-
<b>Total Expenditures</b>	<u>492,575</u>	<u>17,500</u>	<u>18,946</u>	<u>21,788</u>
Excess (deficiency) of revenues over (under) expenditures	<u>165,460</u>	<u>(8,184)</u>	<u>32,049</u>	<u>16,789</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	165,460	(8,184)	32,049	16,789
<b>Fund Balances - Beginning</b>	<u>54,545</u>	<u>126,344</u>	<u>31,517</u>	<u>137,570</u>
<b>Fund Balances - Ending</b>	<u>\$ 220,005</u>	<u>\$ 118,160</u>	<u>\$ 63,566</u>	<u>\$ 154,359</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, 2022**

	<b>Facilities and Grounds CIP</b>	<b>Vehicles and Equipment</b>	<b>IT Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>Revenues</b>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ 707,659
Franchise fees and other	-	-	-	8,586
Fines and forfeitures	-	-	-	37,107
Investment earnings	9,851	4,181	1,949	19,552
Miscellaneous	-	1,000	-	1,000
<b>Total Revenues</b>	<u>9,851</u>	<u>5,181</u>	<u>1,949</u>	<u>773,904</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	18,946
Public safety	-	-	-	21,788
Economic development	-	-	-	17,500
Capital outlay	505,757	1,181,192	43,446	1,730,395
Debt service:				
Principal	-	-	-	325,000
Interest and other charges	-	-	-	167,575
<b>Total Expenditures</b>	<u>505,757</u>	<u>1,181,192</u>	<u>43,446</u>	<u>2,281,204</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(495,906)</u>	<u>(1,176,011)</u>	<u>(41,497)</u>	<u>(1,507,300)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>1,961,415</u>	<u>1,671,565</u>	<u>122,000</u>	<u>3,754,980</u>
<b>Total Other Financing Sources (Uses)</b>	<u>1,961,415</u>	<u>1,671,565</u>	<u>122,000</u>	<u>3,754,980</u>
Net changes in fund balances	1,465,509	495,554	80,503	2,247,680
<b>Fund Balances - Beginning</b>	<u>174,573</u>	<u>232,632</u>	<u>256,232</u>	<u>1,013,413</u>
<b>Fund Balances - Ending</b>	<u>\$ 1,640,082</u>	<u>\$ 728,186</u>	<u>\$ 336,735</u>	<u>\$ 3,261,093</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, 2022*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 495,000	\$ 495,000	\$ 656,664	\$ 161,664
Investment earnings	400	400	1,371	971
<b>Total Revenues</b>	<u>495,400</u>	<u>495,400</u>	<u>658,035</u>	<u>162,635</u>
<b>Expenditures</b>				
Debt Service:				
Principal	535,000	535,000	325,000	210,000
Interest and other charges	265,522	265,522	167,575	97,947
<b>Total Expenditures</b>	<u>800,522</u>	<u>800,522</u>	<u>492,575</u>	<u>307,947</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(305,122)</u>	<u>(305,122)</u>	<u>165,460</u>	<u>470,582</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	302,698	302,698	-	(302,698)
<b>Total Other Financing Sources (Uses)</b>	<u>302,698</u>	<u>302,698</u>	<u>-</u>	<u>(302,698)</u>
Net changes in fund balances	(2,424)	(2,424)	165,460	167,884
<b>Fund Balances - Beginning</b>	54,545	54,545	54,545	-
<b>Fund Balances - Ending</b>	<u>\$ 52,121</u>	<u>\$ 52,121</u>	<u>\$ 220,005</u>	<u>\$ 167,884</u>