

CITY OF ANSON, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2021

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Financial Section

September 23, 2021

Independent Auditors' Report on Financial Statements

Honorable Mayor, Members of the City Council
City of Anson, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Anson, Texas as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Anson, Texas as of March 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

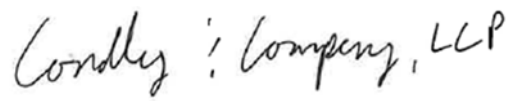
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 37, Schedule of Changes in Net Pension Liability / (Asset) and Related Ratios - Pension Plan, Schedule of Contributions - Pension Plan on pages 38 - 40, and Schedule of Changes in Total OPEB Liability and Related Ratios - OPEB Plan on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2021 on our consideration of the City of Anson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Anson's internal control over financial reporting and compliance.



Certified Public Accountants

Basic Financial Statements

CITY OF ANSON, TEXAS
STATEMENT OF NET POSITION
MARCH 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,071,469	\$ 254,004	\$ 1,325,473
Certificates of deposit	61,182		61,182
Receivables, net of allowance for uncollectible	198,953	166,920	365,873
Prepaid expenses	2,236		2,236
Due from other funds	34,418		34,418
Notes receivable, current	7,861		7,861
Restricted assets:			
Cash and cash equivalents - debt service	108,418	165,528	273,946
Capital assets, net of accumulated depreciation:			
Land	151,196	200,944	352,140
Buildings and improvements	1,389,543	4,437,240	5,826,783
Machinery and equipment	1,433,128	771,122	2,204,250
Infrastructure	1,826,123		1,826,123
Construction in progress		12,248	12,248
Other assets:			
Notes receivable, net of allowance for uncollectible	20,515		20,515
Net pension asset	127,985	120,656	248,641
Total Assets	6,433,027	6,128,662	12,561,689
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	31,307	29,514	60,821
Deferred outflows of resources related to OPEB	5,258	4,957	10,215
Total Deferred Outflows of Resources	36,565	34,471	71,036
LIABILITIES			
Current Liabilities:			
Accounts payable	49,305	88,891	138,196
Due to other funds	10,860	23,558	34,418
Customer deposits		117,375	117,375
Customer overpayments		1,206	1,206
Accrued interest payable	18,259	20,214	38,473
Notes payable - current	17,590	63,229	80,819
Certificates of obligation - current	105,600	97,227	202,827
Capital leases payable - current	71,528	36,829	108,357
Noncurrent Liabilities:			
Compensated absences	13,466	41,344	54,810
Notes payable	18,100	491,170	509,270
Certificates of obligation	776,000	4,029,923	4,805,923
Capital leases payable	521,717	258,485	780,202
Total OPEB liability	26,075	24,581	50,656
Total Liabilities	1,628,500	5,294,032	6,922,532
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	77,523	73,084	150,607
Deferred inflows of resources related to OPEB	6,933	6,536	13,469
Total Deferred Inflows of Resources	84,456	79,620	164,076
NET POSITION			
Net investment in capital assets	3,606,605	592,133	4,198,738
Restricted	118,884	165,528	284,412
Unrestricted	1,031,147	31,820	1,062,967
Total Net Position	\$ 4,756,636	\$ 789,481	\$ 5,546,117

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2021

Functions/Programs	Net (Expense) Revenues and Changes in Net Position					
	Expenses	Program Revenues		Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
GOVERNMENTAL ACTIVITIES						
General government	\$ 472,488	\$ 19,174	\$ 167,922	\$ (285,392)		\$ (285,392)
Judicial and legal	114,070			(114,070)		(114,070)
Public safety	536,147		37,808	(498,339)		(498,339)
Culture and recreation	159,157			(159,157)		(159,157)
Economic development	79,497			(79,497)		(79,497)
Streets	533,046			(533,046)		(533,046)
Interest on long-term debt	51,967			(51,967)		(51,967)
Total Governmental Activities	<u>1,946,372</u>	<u>19,174</u>	<u>205,730</u>	<u>(1,721,468)</u>	<u>-</u>	<u>(1,721,468)</u>
BUSINESS-TYPE ACTIVITIES						
Water and refuse services	<u>2,372,468</u>	<u>2,476,350</u>	<u>-</u>	<u>-</u>	<u>103,882</u>	<u>103,882</u>
Total Business-Type Activities	<u>2,372,468</u>	<u>2,476,350</u>	<u>-</u>	<u>-</u>	<u>103,882</u>	<u>103,882</u>
Total Primary Government	<u>\$ 4,318,840</u>	<u>\$ 2,495,524</u>	<u>\$ 205,730</u>	<u>\$ (1,721,468)</u>	<u>\$ 103,882</u>	<u>\$ (1,617,586)</u>
General Revenues:						
Property tax				\$ 985,570	\$	\$ 985,570
Sales tax				481,780		481,780
Franchise and other tax				97,796		97,796
Fines and fees				73,066		73,066
Investment earnings				1,902	181	2,083
Miscellaneous				78,643	81,829	160,472
Operating transfers				142,629	(142,629)	-
Total General Revenues				<u>1,861,386</u>	<u>(60,619)</u>	<u>1,800,767</u>
Change in Net Position				139,918	43,263	183,181
Net Position - Beginning				<u>4,616,718</u>	<u>746,218</u>	<u>5,362,936</u>
Net Position - Ending				<u>\$ 4,756,636</u>	<u>\$ 789,481</u>	<u>\$ 5,546,117</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2021

	<u>General Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 872,536	\$ 198,933	\$ 1,071,469
Restricted cash and cash equivalents - debt service	108,418		108,418
Certificates of deposit	23,449	37,733	61,182
Receivables:			
Property taxes, net of allowance for uncollectible	110,920		110,920
Other tax	88,033		88,033
Prepaid expenses	2,112	124	2,236
Due from other funds	<u>23,558</u>	<u>10,860</u>	<u>34,418</u>
 Total Assets	 <u>\$ 1,229,026</u>	 <u>\$ 247,650</u>	 <u>\$ 1,476,676</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 49,305	\$	\$ 49,305
Due to other funds	<u>10,860</u>	<u></u>	<u>10,860</u>
 Total Liabilities	 <u>60,165</u>	 <u>-</u>	 <u>60,165</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	<u>110,921</u>	<u></u>	<u>110,921</u>
 Total Deferred Inflows of Resources	 <u>110,921</u>	 <u>-</u>	 <u>110,921</u>
Fund Balance:			
Restricted fund balance	118,884		118,884
Assigned fund balance	194,298	247,526	441,824
Nonspendable fund balance	25,670	124	25,794
Unassigned fund balance	<u>719,088</u>	<u></u>	<u>719,088</u>
 Total Fund Balance	 <u>1,057,940</u>	 <u>247,650</u>	 <u>1,305,590</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u>\$ 1,229,026</u>	 <u>\$ 247,650</u>	 <u>\$ 1,476,676</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 MARCH 31, 2021*

Total fund balances - governmental funds balance sheet	\$ 1,305,590
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,799,990
Notes receivable used in governmental activities are not reported in the funds.	28,376
Net pension asset used in governmental activities is not reported in the funds.	127,985
Deferred outflows of resources related to pensions used in governmental activities are not reported in the funds.	31,307
Deferred outflows of resources related to OPEB used in governmental activities are not reported in the funds.	5,258
Deferred inflows of resources related to pensions used in governmental activities are not reported in the funds.	(77,523)
Deferred inflows of resources related to OPEB used in governmental activities are not reported in the funds.	(6,933)
Compensated absences used in governmental activities are not reported in the funds.	(13,466)
Total OPEB liability used in governmental activities is not reported in the funds.	(26,075)
Long-term debt obligations are not due and payable in the current period, and, therefore, are not reported in the funds.	
Accrued interest payable	(18,259)
Notes payable	(35,690)
Certificates of obligation	(881,600)
Capital leases payable	(593,245)
Property tax revenue considered unavailable for the governmental funds and recorded as a deferred inflow of resources in the governmental funds.	<u>110,921</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 4,756,636</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2021

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes, penalties and interest	\$ 990,834	\$	\$ 990,834
Sales tax	421,558	60,222	481,780
Other tax	97,796		97,796
Fines and fees	73,066		73,066
Charges for services	19,174		19,174
Grant proceeds	147,952	19,970	167,922
Donation income	23,838	13,970	37,808
Interest	399	1,503	1,902
Miscellaneous	41,165	12,425	53,590
	<u>1,815,782</u>	<u>108,090</u>	<u>1,923,872</u>
Total revenues			
EXPENDITURES			
General government	471,397		471,397
Judicial and legal	114,070		114,070
Public safety	447,730	25,633	473,363
Culture and recreation	139,723	5,235	144,958
Economic development		84,905	84,905
Streets	249,997		249,997
Debt service:			
Principal	157,554		157,554
Interest	43,204		43,204
Capital outlay	322,900	35,107	358,007
	<u>1,946,575</u>	<u>150,880</u>	<u>2,097,455</u>
Total expenditures			
Revenues Under Expenditures	(130,793)	(42,790)	(173,583)
OTHER FINANCING SOURCES (USES)			
Note payments received		5,235	5,235
Transfers in	273,726	52,551	326,277
Transfers out	(163,046)	(3,048)	(166,094)
	<u>110,680</u>	<u>54,738</u>	<u>165,418</u>
Total other financing sources			
Excess (Deficit) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(20,113)</u>	<u>11,948</u>	<u>(8,165)</u>
Fund balances - Beginning	<u>1,078,053</u>	<u>235,702</u>	<u>1,313,755</u>
Fund balances - Ending	<u>\$ 1,057,940</u>	<u>\$ 247,650</u>	<u>\$ 1,305,590</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, 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 MARCH 31, 2021*

Net change in fund balances - total governmental funds	\$ (8,165)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Governmental funds report capital outlays as expenditures, but are shown as increases in capital assets in governmental activities.	358,007
Depreciation is not recognized as an expense in governmental funds since it does not require use of current financial resources.	(386,158)
Governmental funds report debt payments as expenditures, but are shown as decreases in debt obligations in governmental activities.	157,554
Various other adjustments and eliminations including pension and OPEB adjustments are necessary to convert to accrual accounting.	<u>18,680</u>
Change in net assets of governmental activities - Statement of Activities	<u><u>\$ 139,918</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
MARCH 31, 2021

	Water Fund	Garbage Fund	Business-type Activities Enterprise Fund
	Water Fund	Garbage Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 151,897	\$ 102,107	\$ 254,004
Accounts receivable, net of allowance for bad debt	124,784	42,136	166,920
Total Current Assets	276,681	144,243	420,924
Restricted assets:			
Cash and cash equivalents	165,528		165,528
Total Restricted Assets	165,528	-	165,528
Capital assets:			
Capital assets:			
Property, plant and equipment	10,526,879	310,212	10,837,091
Less: accumulated depreciation	(5,336,725)	(78,812)	(5,415,537)
Total Capital Assets	5,190,154	231,400	5,421,554
Other noncurrent assets:			
Net pension asset	120,656		120,656
Total Other Noncurrent Assets	120,656	-	120,656
TOTAL ASSETS	5,753,019	375,643	6,128,662
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	29,514		29,514
Deferred outflows of resources related to OPEB	4,957		4,957
TOTAL DEFERRED OUTFLOW OF RESOURCES	34,471	-	34,471
LIABILITIES			
Current liabilities:			
Accounts payable	59,995	28,896	88,891
Due to other funds	23,558		23,558
Customer deposits	117,375		117,375
Customer overpayments	1,206		1,206
Accrued interest payable	16,563	3,651	20,214
Compensated absences	41,344		41,344
Notes payable - current	35,349	27,880	63,229
Capital leases payable - current	9,959	26,870	36,829
Certificates of obligation - current	97,227		97,227
Total Current Liabilities	402,576	87,297	489,873
Noncurrent liabilities:			
Total OPEB liability	24,581		24,581
Notes payable	371,607	119,563	491,170
Capital leases payable	80,281	178,204	258,485
Certificates of obligation	4,029,923		4,029,923
Total Noncurrent Liabilities	4,506,392	297,767	4,804,159
TOTAL LIABILITIES	4,908,968	385,064	5,294,032
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	73,084		73,084
Deferred inflows of resources related to OPEB	6,536		6,536
TOTAL DEFERRED INFLOWS OF RESOURCES	79,620	-	79,620
NET POSITION			
Net investment in capital assets	565,808	26,325	592,133
Restricted	165,528		165,528
Unrestricted	67,566	(35,746)	31,820
TOTAL NET POSITION	\$ 798,902	\$ (9,421)	\$ 789,481

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2021

	Water Fund	Garbage Fund	Business-type Activities Enterprise Funds
	<u>Water Fund</u>	<u>Garbage Fund</u>	<u>Total Enterprise Funds</u>
OPERATING REVENUES			
Service revenue	\$ 1,847,677	\$ 478,460	\$ 2,326,137
Capital projects revenue	150,213		150,213
Miscellaneous	15,337	47,473	62,810
	<u>2,013,227</u>	<u>525,933</u>	<u>2,539,160</u>
OPERATING EXPENSES			
Payroll and benefits	512,951	1,075	514,026
Depreciation	308,345	55,093	363,438
Sanitation		307,808	307,808
Water supply	239,089		239,089
Supplies	199,096	1,345	200,441
Insurance	104,467		104,467
Repairs and maintenance	150,684		150,684
Water testing	131,956		131,956
Other	155,308	2,422	157,730
Utilities and telephone	35,209		35,209
Professional fees	16,850	13,461	30,311
Fuel	19,594		19,594
Dues, licenses, and fees	2,421		2,421
	<u>1,875,970</u>	<u>381,204</u>	<u>2,257,174</u>
Operating Income	<u>137,257</u>	<u>144,729</u>	<u>281,986</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	181		181
Interest expense	(97,512)	(17,782)	(115,294)
Gain on sale of assets	19,019		19,019
Transfers in	119,602	17,000	136,602
Transfers out	(173,673)	(105,558)	(279,231)
	<u>(132,383)</u>	<u>(106,340)</u>	<u>(238,723)</u>
Change in Net Position	<u>4,874</u>	<u>38,389</u>	<u>43,263</u>
Net Position - Beginning	<u>794,028</u>	<u>(47,810)</u>	<u>746,218</u>
Net Position - Ending	<u>\$ 798,902</u>	<u>\$ (9,421)</u>	<u>\$ 789,481</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2021

	Business-type Activities Enterprise Funds		
	Water Fund	Garbage Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,010,766	\$ 517,113	\$ 2,527,879
Cash paid to employees	(512,951)	(1,075)	(514,026)
Cash paid to suppliers	(1,033,188)	(302,522)	(1,335,710)
Net Cash Provided by Operating Activities	<u>464,627</u>	<u>213,516</u>	<u>678,143</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Miscellaneous receipts	181		181
Transfers out	(54,071)	(88,558)	(142,629)
Net Cash Used in Noncapital and Related Financing Activities	<u>(53,890)</u>	<u>(88,558)</u>	<u>(142,448)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(133,003)	(42,625)	(175,628)
Interest paid	(98,809)	(18,255)	(117,064)
Payments on notes payable	(33,947)	(52,333)	(86,280)
Payments on certificates of obligation	(94,764)		(94,764)
Net Cash Used in Capital and Related Financing Activities	<u>(360,523)</u>	<u>(113,213)</u>	<u>(473,736)</u>
Net Increase in Cash and Cash Equivalents	<u>50,214</u>	<u>11,745</u>	<u>61,959</u>
Cash and Cash Equivalents at Beginning of Year	<u>267,211</u>	<u>90,362</u>	<u>357,573</u>
Cash and Cash Equivalents at End of Year	<u>317,425</u>	<u>102,107</u>	<u>419,532</u>
Cash and cash equivalents	151,897	102,107	254,004
Cash and cash equivalents (Restricted)	165,528	-	165,528
	<u>\$ 317,425</u>	<u>\$ 102,107</u>	<u>\$ 419,532</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 137,257	\$ 144,729	\$ 281,986
Adjustments Not Affecting Cash:			
Increase in accounts receivable	(2,461)	(8,820)	(11,281)
Decrease in deferred outflows related to pension	10,347	1,812	12,159
(Increase) Decrease in deferred outflows related to OPEB	(1,961)	128	(1,833)
(Increase) Decrease in net pension asset	(50,045)	3,209	(46,836)
Increase (Decrease) in accounts payable	(1,555)	21,438	19,883
Increase in other liabilities	51,814		51,814
Decrease in OPEB liability	(335)	(1,060)	(1,395)
Increase (Decrease) in deferred inflows related to pensions	8,402	(2,940)	5,462
Increase (Decrease) in deferred inflows related to OPEB	4,819	(73)	4,746
Depreciation	308,345	55,093	363,438
Net Cash Provided by Operating Activities	<u>\$ 464,627</u>	<u>\$ 213,516</u>	<u>\$ 678,143</u>

The accompanying notes are an integral part of the financial statements.

Note 1: Reporting Entity

The City of Anson (City) was incorporated on January 3, 1901 and is governed by an elected mayor and five member council. The City operates under a city manager form of government and provides the following functions: general government, health and welfare, judicial and legal, public safety (police and fire departments), culture and recreation, streets, planning and zoning, and other general and administrative services.

For financial reporting purposes, the City includes all entities for which the City is considered to be financially accountable. The criteria used by the City for including activities in preparing its financial statements are in conformity with Governmental Accounting Standards Board Statement 14. "The Financial Reporting Entity."

Blended Component Units

The Development Corporation of Anson, Inc. (ADC) and the Industrial Development Corporation of Anson, Inc. (IDC) (collectively the Corporations) are both nonprofit corporations whose primary purpose and objectives are to further economic development and social welfare in the City of Anson by promoting and assisting the economic growth and development of this geographic region. The principal objectives of the Corporations are to increase the employment opportunities of the unemployed and underemployed through expansion of the business and industry base within the economy by utilizing the 0.125 percent sales tax levied by the City for that purpose.

Note 2: Summary of Significant Accounting Policies

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all activities of the government. Governmental Activities are those which are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct Expenses are those that are clearly identifiable with a specific function or segment. Program Revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and; 2) grants and contributions that are restricted 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.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Enterprise funds, or proprietary funds, are used to account for business–like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurements similar to the private sector.

The City operates and reports the following funds:

Governmental:

- The *General Fund* is the City's operating governmental fund. It accounts for all financial resources of the general government and is considered a major fund.
- The *ADC Fund* accounts for the receipt of sales tax for economic growth and development for the Anson Development Corporation.
- The *IDC Fund* accounts for the receipt of sales tax for economic growth and development for the Industrial Development Corporation.
- The *Opera House Fund* accounts for financial resources related to operations of the Opera House.
- The *Volunteer Fire Department Fund* accounts for financial resources related to operations of the volunteer fire department.

Proprietary:

- The *Water Fund* accounts for the activities of the water distribution system and is considered a major fund.
- The *Garbage Fund* accounts for the activities of the refuse collection system and is considered a major fund.

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. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. 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 when they are collected 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 after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and sales taxes are considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the **Government Accounting Standards Board**. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund and garbage fund are charges to customers for sales and/or services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents and Investments

Cash and cash equivalents reflected in the financial statements includes petty cash and cash in banks.

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

In accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, investments are recorded at fair value. Consistent with GASB Statement No. 72, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A detail of the fair value hierarchy of investments held by the City are disclosed in Note 3 to the financial statements.

Restricted Assets

Restricted assets consist of cash equivalents and cost approximates market value. These assets are restricted for the purpose of debt service.

Accounts and Notes Receivable

All receivables are shown net of an allowance for uncollectibles. The trade accounts receivable allowance for uncollectibles is comprised of accounts past due in excess of 180 days. There is no allowance for sales tax receivable. Notes receivable relate to economic development loans for the ADC and IDC funds. Allowance for uncollectible amounts on notes receivable is comprised of notes or portions of notes that management has estimated to be uncollectible.

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. A lien attaches as of February 1. Delinquent taxes are based on the rates adopted for the year of levy. Allowance for uncollectibles within the General Fund is based upon historical experience in collecting property taxes.

Capital Assets

In the government-wide financial statements, capital assets, which include property, plant, and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value on the date donated.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the statement of activities. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Buildings	40
System infrastructure	25-30
Maintenance equipment	15-30
Vehicles	5-10
Office furniture and equipment	5

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Compensated Absences

The City provides five to twenty days of paid leave each year for full-time employees based on years of service. Unused paid leave is paid upon termination but no more than twenty four hours of leave can be carried over to the next year. Accordingly, the City has recorded a liability in one of the proprietary funds and the government-wide statement of net position for general government employees. Certain unused sick leave is included in the liability since a limited amount of sick leave is available to be paid to employees with 20 or more consecutive years of service.

Equity Classification

In the government-wide and proprietary statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City's restricted net position as of March 31, 2021 relates to cash to be used for debt service, court and police seizure funds. Restricted net position in the business-type activities relates to debt service.

Unrestricted net position – All other net positions that do not meet the definition of the "restricted" or "net investment in capital assets".

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

In the governmental fund financial statements, equity is classified as fund balance. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable fund balance is associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted fund balance includes amounts that can be spent for only the specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the City Council (the City's highest level of decision-making authority).

Assigned fund balance includes amounts intended to be used by the City for specific purposes but does not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications.

As of March 31, 2021, the City reported unassigned, assigned, nonspendable, and restricted fund balance.

Restricted Fund Balance

The City's restricted fund balance as of March 31, 2021, which relates to use of external resources, is comprised of the following:

<u>Restriction</u>	<u>Amount</u>
Debt service	\$ 108,418
Court	7,710
Drug seizure	<u>2,756</u>
Total Restricted Fund Balance	<u>\$ 118,884</u>

Assigned Fund Balance

The City's management has the authority to assign funds in accordance with various internal programs. The City's assigned fund balance as of March 31, 2021 is comprised of the following:

<u>Assignment</u>	<u>Amount</u>
Streets	\$ 176,713
Education facilities	2,305
Volunteer fire department	123,045
Opera house	3,576
ADC	105,506
IDC	<u>30,679</u>
Total Assigned Fund Balance	<u>\$ 441,824</u>

Nonspendable fund balance includes \$23,558 of interfund balances that have been outstanding for more than one year. The amount is considered collectible. Other nonspendable fund balance includes prepaid expenses of \$2,236.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The City considers committed, assigned and unassigned amounts (in that order until fully extinguished) to have been spent when an expenditure is incurred for purposes for which any of those unrestricted fund balance classifications could be used.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense / expenditure) until then. The City had deferred outflows of resources related to pensions of \$60,821 and deferred inflows of resources related to OPEB of \$10,215 as of March 31, 2021.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City had deferred inflows of resources related to pensions of \$150,607 and deferred inflows of resources related to OPEB of \$13,469 as of March 31, 2021. The City also had deferred inflows of resources in the governmental funds related to unavailable property tax revenue of \$110,921 as of March 31, 2021.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The City has evaluated subsequent events through September 23, 2021, the day the financial statements were available to be issued.

Recent Accounting Pronouncements

ADOPTED

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt*, which improves accounting and financial reporting by clarifying which liabilities governments should include in their note disclosures related to debt. The requirements of this statement are effective for financial periods beginning after June 15, 2019. The impact of this adoption was not significant to the City's debt disclosures.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves accounting and reporting by enhancing the consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The impact of this adoption was not significant to the City's financial statements and disclosures.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, which clarifies the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The impact of this adoption was not significant to the City's financial statements and disclosures.

NOT ADOPTED

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting by requiring reporting of certain lease liabilities that currently are not reported. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2021. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2021*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements related to Statement 87 and implementation guide 2020-3 are effective upon issuance. The other requirements of the statement are effective for fiscal years beginning after June 15, 2021.

Note 3: Deposits and Investments

Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank did not approve pledged securities in an amount sufficient to protect City funds on day-to-day basis during the audit period. The pledge of approved securities is waived only to the extent of the depository banks dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

As of March 31, 2021, the City had cash and cash investments which represent checking accounts, money market accounts, and saving accounts at federally insured local banks. The City is restricted by State statute to invest in certificates of deposit and investments of the United States and the State of Texas.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. On the date of the largest cash balance of the fiscal year, pledged securities were not sufficient to cover the total bank balance of \$1,745,129 of which, \$1,245,129 was not covered. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

	Bank Balance
<u>Demand Deposit Accounts</u>	
Insured	\$ 250,000
Uninsured and uncollateralized	524,204
Total Deposits	<u>\$ 774,204</u>

	Bank Balance
<u>Time and Savings Accounts</u>	
Insured	\$ 250,000
Uninsured and uncollateralized	720,925
Total Deposits	<u>\$ 970,925</u>

As of March 31, 2021, pledged securities were not sufficient to cover the bank balances totaling \$1,723,524, of which \$1,223,524 was exposed to custodial credit risk as follows:

	Bank Balance
<u>Demand Deposit Accounts</u>	
Insured	\$ 250,000
Uninsured and uncollateralized	483,306
Total Deposits	<u>\$ 733,306</u>

	Bank Balance
<u>Time and Savings Accounts</u>	
Insured	\$ 250,000
Uninsured and uncollateralized	740,218
Total Deposits	<u>\$ 990,218</u>

In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Credit Risk

This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the City’s policy to limit its investments to those investments that are fully insured or collateralized from a bank in the State of Texas and under the term of written depository agreement, obligations of the United States government, its agencies and instrumentalities and government sponsoring enterprises; or Texas Local Government Investment Pools. The City currently has no investments in obligations of the United States government or Texas Local Government Investment Pools.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair value by keeping its investment portfolio sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The City is not exposed to foreign currency risk.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the City’s investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent (5%) or more in the securities of a single issuer. It is the City’s policy to not allow for a concentration of credit risk. Investments issued by the U.S. Government and investments in investment pools are excluded from the 5 percent (5%) disclosure requirement. The City is not exposed to concentration of credit risk.

At year end, the City’s investment balances were as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit	\$ <u>61,182</u>	1
	\$ <u><u>61,182</u></u>	

The investments of the City are not in compliance with the Council’s investment policy (due to uncollateralized accounts) and with the Public Funds Investment Act (Government Code Chapter 2256). The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments were complied with during the year the year. Investments at year-end are representative of the types of investments maintained by the City during the year.

A summary of the City's investments under the requirements of the fair value hierarchy follows:

Description	Fair Value Measurements at Reporting Date Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Certificates of Deposit	\$ 61,182	\$ -	\$ -	\$ 61,182
Total	\$ 61,182	\$ -	\$ -	\$ 61,182

Note 4: Accounts and Notes Receivable

Receivables in the general fund totaling \$198,953 as of March 31, 2021, consist of property taxes receivable of \$110,920, sales tax receivable of \$86,883, and franchise tax receivable of \$1,150. An allowance for uncollectible property taxes in the amount of \$127,414 has been recorded as of March 31, 2021. All other amounts are considered fully collectible.

Accounts receivable for the water and sewer fund as of March 31, 2021, amounted to \$124,784. An allowance for uncollectible water billings in the amount of \$8,198 has been recorded as of March 31, 2021.

Receivables in the garbage fund totaling \$42,136 as of March 31, 2021, with an allowance for uncollectible garbage billings in the amount of \$753.

Notes receivable for the ADC and IDC funds as of March 31, 2021, amounted to \$28,376, net of an allowance for uncollectible notes in the amount of \$22,703.

Note 5: Capital Assets

Capital asset activity for the year ended March 31, 2021, was as follows:

Governmental activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 151,196	\$ -	\$ -	\$ 151,196
Construction in progress	131,849	-	(131,849)	-
Total capital assets not being depreciated	283,045	-	(131,849)	151,196
Capital assets being depreciated:				
Buildings and improvements	1,697,859	332,167	-	2,030,026
Machinery and equipment	2,079,161	547,895	(135,100)	2,491,956
Infrastructure	7,554,952	-	-	7,554,952
Total capital assets being depreciated	11,331,972	880,062	(135,100)	12,076,934
Less accumulated depreciation for:				
Buildings and improvements	(589,687)	(50,796)	-	(640,483)
Machinery and equipment	(1,005,793)	(169,343)	116,308	(1,058,828)
Infrastructure	(5,562,810)	(166,019)	-	(5,728,829)
Total accumulated depreciation	(7,158,290)	(386,158)	116,308	(7,428,140)
Governmental activities capital assets, net	\$ 4,456,727	\$ 493,904	\$ (150,641)	\$ 4,799,990

Depreciation was charged to functions as follows:

General government	\$	26,126
Streets		283,049
Public safety		62,784
Culture and recreation		14,199
	\$	<u>386,158</u>

<u>Business-type activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 200,944	\$	\$	\$ 200,944
Construction in progress	-	12,248		12,248
Total capital assets not being depreciated	<u>200,944</u>	<u>12,248</u>	<u>-</u>	<u>213,192</u>
Capital assets being depreciated:				
Buildings and improvements	9,080,098	26,491		9,106,589
Machinery and equipment	1,332,620	233,151	(48,462)	1,517,309
Total capital assets being depreciated	<u>10,412,718</u>	<u>259,642</u>	<u>(48,462)</u>	<u>10,623,898</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,444,704)	(224,645)		(4,669,349)
Machinery and equipment	(649,834)	(138,793)	42,440	(746,187)
Total accumulated depreciation	<u>(5,094,538)</u>	<u>(363,438)</u>	<u>42,440</u>	<u>(5,415,536)</u>
Business-type activities capital assets, net	\$ <u>5,519,124</u>	\$ <u>(91,548)</u>	\$ <u>(6,022)</u>	\$ <u>5,421,554</u>

Depreciation charged to the water and garbage operations was \$363,438.

Note 6: Long-Term Obligations

In the governmental activities long-term obligations at March 31, 2021, are summarized as follows:

Certificates of Obligation

United States of America general obligation refunding bond (2006 Series) of \$210,000 dated June 8, 2006, payable in annual principal and interest payments due February 15, and the additional interest payments due August 15, with interest rate of 9.50%, final payment due February 15, 2026.	\$	89,000
First National Bank of Anson general obligation refunding bonds (2017B Series) issued to refund existing debt of \$795,000 of which, \$278,250 relates to governmental activities, dated November 1, 2017, payable in annual principal and interest payments due November 15, and the additional interest payments due November 15, with interest rate of 3.25%, final payment due November 15, 2032.		233,100
Texas Combination Tax and Revenue Certificates of Obligation (2017A Series) of \$774,000 issued to pay contractual obligations to be incurred to repair and resurface roads dated June 1, 2017, payable in annual principal and interest payments due June 15, and the additional interest payments due December 15, with interest rate of 2.26%, final payment due June 1, 2027.		<u>559,500</u>
Total certificates of obligation	\$	<u>881,600</u>

Note Payable

Government Capital Corporation Note (2018) of \$83,266 issued January 29, 2018 for police vehicles, payable in annual principal and interest payments due February 9, with interest rate of 3.85%, final payment due February 9, 2023. \$ 35,690

Capital Leases Payable

John Deere Financial (2018) of \$285,009 issued August 20, 2018 for a motor grader and backhoe, payable in annual principal and interest payments due August 21, with interest rate of 3%, final payment due August 21, 2023. \$ 233,419

Cat Financial (2021) of \$269,090 issued January 28, 2021 for a vibratory soil compactor and a pneumatic compactor, payable in monthly principal and interest payments due on the last day of the month, with interest rate of 5%, final payment due February 28, 2026. 265,126

Wells Fargo (2020) of \$103,616 issued August 19, 2020 for a compact track loader and rotary cutter, payable in monthly principal and interest payments due on the 19th of each month, with interest rate of 0.388%, final payment due September 19, 2023. 94,700

Total capital lease payable \$ 593,245

Long-Term Obligation Activity

A summary of long-term liability activity for the year ended March 31, 2021, are as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Certificates of obligation (2006)	\$ 102,000	\$	\$ (13,000)	\$ 89,000	\$ 15,000
Certificates of obligation (2017A)	632,500		(73,000)	559,500	74,500
Certificates of obligation (2017B)	248,500		(15,400)	233,100	16,100
John Deere capital lease	259,600		(26,181)	233,419	26,978
Cat Financial capital lease	-	269,090	(3,964)	265,126	25,175
Wells Fargo capital lease	-	103,616	(8,916)	94,700	19,375
Vehicle loan	52,784		(17,094)	35,690	17,590
Compensated absences	12,780	686		13,466	-
Total OPEB liability	<u>27,037</u>		<u>(962)</u>	<u>26,075</u>	<u>-</u>
Total	\$ <u>1,335,201</u>	\$ <u>373,392</u>	\$ <u>(158,517)</u>	\$ <u>1,550,076</u>	\$ <u>194,718</u>

Maturities of the certificates of obligation are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2022	\$ 105,600	\$ 30,209	\$ 135,809
2023	106,300	24,179	133,479
2024	113,150	20,367	133,517
2025	116,850	16,315	133,165
2026	120,700	12,104	132,804
2027	105,400	7,653	113,053
2028	105,100	5,129	110,229
2029	20,300	3,526	23,826
2030	21,000	2,867	23,867
2031	21,700	2,184	23,884
2032	22,400	1,479	23,879
2033	23,100	751	23,851
	<u>\$ 881,600</u>	<u>\$ 126,763</u>	<u>\$ 1,008,363</u>

Maturities of the capital lease obligations are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2022	\$ 71,528	\$ 20,154	\$ 91,682
2023	72,219	17,945	90,164
2024	263,831	15,588	279,419
2025	29,243	8,626	37,869
2026	156,424	6,594	163,018
	<u>\$ 593,245</u>	<u>\$ 68,907</u>	<u>\$ 662,152</u>

Maturities of the note payable are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2022	\$ 17,590	\$ 1,035	\$ 18,625
2023	18,100	525	18,625
	<u>\$ 35,690</u>	<u>\$ 1,560</u>	<u>\$ 37,250</u>

Compensated absences in the governmental funds increased from \$12,780 to \$13,466 during the year ended March 31, 2021.

The following is a schedule of maturities of certificates of obligation, capital lease, and notes payable by year and in aggregate:

Year Ending March 31,	
2022	\$ 194,718
2023	199,619
2024	376,981
2025	146,093
2026+	<u>593,124</u>
	<u>\$ 1,510,535</u>

In the business-type activities long-term obligations at March 31, 2021, are summarized as follows:

Certificates of Obligation

First National Bank of Anson general obligation refunding bonds (2017B Series) issued to refund existing debt of \$795,000 of which, \$516,750 relates to business-type activities, dated November 1, 2017, payable in annual principal and interest payments due November 15, and the additional interest payments due November 15, with interest rate of 3.25%, final payment due November 15, 2032.	\$ 432,900
United States Department of Agriculture revenue bond (2020A Series) issued to refund existing debt of \$2,394,000 plus outstanding interest, was issued the amount of \$2,915,000 dated December 18, 2020, payable in monthly principal and interest payments with interest rate of 1.75%, final payment due December 18, 2059.	2,851,136
United States Department of Agriculture revenue bond (2020B Series) issued to refund existing debt of \$728,000 plus outstanding interest, was issued in the amount of \$862,000 dated December 18, 2020, payable in monthly principal and interest payments with interest rate of 1.75%, final payment due December 18, 2059.	<u>843,114</u>
Total certificates of obligation	\$ <u>4,127,150</u>

Notes Payable

Prosperity Bank note of \$470,000 dated March 23, 2015 for water meters and heavy equipment payable in annual installments due April 1, with interest rate of 3.87% with maturity on April 1, 2030.	\$ 341,860
First National Bank of Anson note payable for \$362,565 to acquire landfill equipment payable in annual installments due February 24, with interest rate of 5.5%, maturing on February 24, 2026.	147,443
First National Bank of Anson note payable dated January 30, 2020 for \$77,525 to acquire a generator payable in annual installments due January 30, with interest rate of 5.5%, maturing on January 30, 2029.	<u>65,096</u>
Total notes payable	\$ <u>554,399</u>

Capital Leases Payable

John Deere Financial lease purchase agreement of \$121,457 dated November 15, 2020 for an excavator in annual installments payable in annual principal and interest payments due November 15, with interest rate of 3.7% with a balloon payment due on December 15, 2024.	\$ 98,298
John Deere Financial lease purchase agreement of \$132,917 dated September 25, 2020 for a front end loader, payable in annual principal and interest payments due October 18, with interest rate of 3.7% with a balloon payment due on October 18, 2024.	106,776

Cat Financial lease purchase agreement of \$90,240 dated March 5, 2021 for a backhoe loader, payable in annual principal and interest payments due March 5, with interest rate of 3.04% with a balloon payment due on March 5, 2026.

90,240

Total capital leases payable

\$ 295,314

Long-Term Obligation Activity

A summary of long-term liability activity for the year ended March 31, 2021, are as follows:

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Certificates of obligation (2017B)	\$ 461,500	\$	\$ (28,600)	\$ 432,900	\$ 29,900
Certificates of obligation (2019A)	2,902,199		(51,063)	2,851,136	51,961
Certificates of obligation (2019B)	858,215		(15,101)	843,114	15,366
Notes Payable – Meters/Equipment	369,439		(27,579)	341,860	28,645
Note Payable – Generator Loan	71,464		(6,368)	65,096	6,703
Note Payable – Garbage Loan	173,880		(26,437)	147,443	27,881
Capital Lease - Excavator	115,009		(16,711)	98,298	17,340
Capital Lease - Front end loader	115,961		(9,185)	106,776	9,530
Capital Lease - Backhoe	-	90,240		90,240	9,959
Compensated absences	18,910	22,434		41,344	-
Total OPEB liability	<u>25,976</u>		<u>(1,395)</u>	<u>24,581</u>	<u>-</u>
Total	<u>\$ 5,112,553</u>	<u>\$ 112,674</u>	<u>\$ (182,439)</u>	<u>\$ 5,042,788</u>	<u>\$ 197,285</u>

Maturities of the certificates of obligation are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2022	\$ 97,227	\$ 71,155	\$ 168,382
2023	99,715	69,482	169,197
2024	101,406	67,934	169,340
2025	104,101	66,021	170,122
2026	106,002	64,230	170,232
2027	108,576	62,408	170,984
2028	111,019	60,695	171,714
2029	113,789	58,635	172,424
2030	116,431	56,679	173,110
2031	119,097	54,679	173,776
2032	121,648	52,773	174,421
2033	124,499	50,546	175,045
2034	83,039	48,409	131,448
2035	84,503	46,945	131,448
2036	85,872	45,576	131,448
2037	87,509	43,939	131,448
2038	89,053	42,395	131,448
2039	90,624	40,824	131,448
2040	92,117	39,331	131,448
2041	93,847	37,601	131,448
2042	95,503	35,945	131,448
2043	97,188	34,260	131,448
2044	98,815	32,633	131,448
2045	100,645	30,803	131,448
2046	102,421	29,027	131,448
2047	104,228	27,220	131,448
2048	105,999	25,449	131,448
2049	107,936	23,512	131,448
2050	109,840	21,608	131,448
2051	111,778	19,670	131,448
2052	113,704	17,744	131,448
2053	115,756	15,692	131,448
2054	117,798	13,650	131,448
2055	119,876	11,572	131,448
2056	121,968	9,480	131,448
2057	124,142	7,306	131,448
2058	126,332	5,116	131,448
2059	128,561	2,887	131,448
2060	94,586	678	95,264
	<u>\$ 4,127,150</u>	<u>\$ 1,444,509</u>	<u>\$ 5,571,659</u>

Maturities of the capital lease obligations are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2022	\$ 36,829	\$ 10,500	\$ 47,328
2023	38,147	9,181	47,328
2024	39,512	7,816	47,328
2025	107,379	6,401	113,780
2026	73,447	1,573	75,021
	<u>\$ 295,314</u>	<u>\$ 35,471</u>	<u>\$ 330,785</u>

Maturities of the notes payable are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2022	\$ 63,229	\$ 24,934	\$ 88,163
2023	66,240	21,923	88,163
2024	69,398	18,765	88,163
2025	72,705	15,458	88,163
2026	68,028	11,976	80,004
2027	43,396	8,767	52,163
2028	45,218	6,945	52,163
2029	47,055	5,046	52,101
2030	38,814	3,062	41,876
2031	40,316	1,560	41,876
	<u>\$ 554,399</u>	<u>\$ 118,436</u>	<u>\$ 672,835</u>

Compensated absences in the business-type activities increased from \$18,910 to \$41,344 during the year ended March 31, 2021.

The following is a schedule of maturities of certificates of obligation, notes payable, and capital leases by year and in aggregate:

Year Ending March 31,	
2022	\$ 197,285
2023	204,102
2024	210,316
2025	284,185
2026+	<u>4,080,975</u>
	<u>\$ 4,976,863</u>

Note 7: Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TMLIRP). TMLIRP is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TMLIRP for insurance coverage. The agreement for the formation of TMLIRP provides that TMLIRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level or reinsurance. The City continues to carry commercial insurance of other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and any settled claims have not exceeded coverage in any of the past three fiscal years.

The COVID-19 outbreak in the United States has created economic uncertainties that may impact future operations. The extent of the impact on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on the City's grant sources, tax payors, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the City's financial condition or results of operations is uncertain.

Note 8: Interfund Transfers

The composition of interfund balances as of March 31, 2021, are as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 23,558
ADC	General Fund	5,430
IDC	General Fund	<u>5,430</u>
		<u>\$ 34,418</u>

The above balances reflect temporary cash advances.

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule briefly summarizes the City's transfer activity:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Water Fund	\$ 119,602
General Fund	VFD Fund	37,444
General Fund	Garbage Fund	6,000
Governmental Activities	Garbage Fund	10,000
Garbage Fund	General Fund	105,558
Water Fund	General Fund	165,120
Water Fund	Garbage Fund	1,000
Water Fund	VFD Fund	7,553
Governmental Activities	VFD Fund	7,554
VFD Fund	General Fund	<u>3,048</u>
		<u>\$ 462,879</u>

Note 9: Tax Abatements

The City of Anson negotiates property tax abatement agreements with local businesses on an individual basis. All agreements are negotiated under state law (Chapter 312 of the Texas Tax Code, "Property Redevelopment and Tax Abatement Act"), which allows the City to abate property taxes to any business located inside the City of Anson to promote the development/redevelopment of certain contiguous geographic areas within its jurisdiction. The City of Anson may grant abatements of up to 100 percent of annual property tax values. The City of Anson has two maintenance and operation tax abatement agreements as follows:

- Mark & Twila Haechten, Haechten Crop Insurance, 90% of taxes abated over 10 years, reduced to 80% on year 2, 70% on year 3, 60% on year 4, 50% on year 5, 40% on year 6, 30% on year 7, 20% on year 8, 10% on year 9 and 0% on year 10, beginning January 2016 and ending January 2025. The abatement amounted to \$763 of reduced taxes for fiscal year 2021. The City of Anson received \$549 in 2021 in consideration for the tax abatement agreement. The purpose of the abatement is for the construction and employment of a crop insurance sales and service facility.

- Anson Senior Living, 90% of taxes abated over 10 years, reduced to 80% on year 2, 70% on year 3, 60% on year 4, 50% on year 5, 40% on year 6, 30% on year 7, 20% on year 8, 10% on year 9 and 0% on year 10, beginning January 2021 and ending January 2029. The abatement amounted to \$955 of reduced taxes for fiscal year 2021. The City of Anson received \$911 in 2021 in consideration for the tax abatement agreement. The purpose of the abatement is for renovations to a senior living facility construction, not including land.

Note 10: Pension Plans

Retirement Pension Plan

Plan Description

The City of Anson participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members can retire at ages 60 and above with five or more years of services or with 20 years of service regardless of age. Members are vested after five years of services but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdrew their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefits Provided

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

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

Employees covered by benefit terms.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	34
Active employees	<u>27</u>
Total participants	69

Contributions

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

Employees for the City of Anson were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 2% in the calendar year 2020 and 2.35% in the calendar year 2021. The City's contributions to TMRS for the year ended March 31, 2021, were \$18,433, and were equal to the required contributions.

Net Pension Liability / (Asset)

Actuarial Assumptions

The total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	
Overall payroll growth	2.75%	
Investment rate of return	6.75%	This rate represents the assumed return, net of all investment and administrative expenses.

Salary increases were based on a service-related table. Mortality rates for retirees, and beneficiaries were based 2019 Municipal Retirees of Texas Mortality Tables with rates projected on a fully generational basis with scale UMP to account for future mortality improvements. Based on the size of the City, rates are multiplied by an additional factor of 100%. For disabled annuitants, the mortality table for a healthy retiree is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. For pre-retirement mortality, the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females were used.

Actuarial assumptions used in the December 31, 2020, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018, first used in the December 31, 2019 valuation. For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates until 2027 were based on a mortality study performed in 2013, with the factors phasing into being based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with Scale BB.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	30.00%	5.30%
Core fixed income	10.00%	1.25%
Non-core fixed income	20.00%	4.14%
Real return	10.00%	3.85%
Real estate	10.00%	4.00%
Absolute return	10.00%	3.48%
Private equity	10.00%	7.75%

Discount Rate

The discount rate used to measure the Total Pension Asset 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 TMRS annual report. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances as of December 31, 2019	\$ 1,313,927	\$ 1,465,093	\$ (151,166)
Changes for the year:			
Service cost	65,186		65,186
Interest on total pension liability	88,517		88,517
Change of benefit terms	21,304		21,304
Difference between expected and actual experience	(102,953)		(102,953)
Benefit payments	(112,926)	(112,926)	-
Administrative expenses		(720)	720
Member contributions		43,749	(43,749)
Net investment income		110,953	(110,953)
Employer contributions		15,574	(15,574)
Other		(27)	27
Balances as of December 31, 2020	\$ 1,273,055	\$ 1,521,696	\$ (248,641)

Sensitivity of the Net Pension Liability / (Asset) to Changes in the Discount Rate

The following presents the net pension liability / (asset) of the City calculated using the discount rate of 6.75% as well as what the City's net pension liability / (asset) would have been if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Net pension liability / (asset)	\$ (100,201)	\$ (248,641)	\$ (374,376)

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 at www.tmr.com.

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

For the year ended March 31, 2021, the City recognized total pension income of \$46,518.

As of March 31, 2021, the City reported on the Statement of Net Position deferred outflows of resources related to pensions from the following sources:

Contributions subsequent to measurement date	\$ 15,911
Difference between projected and actual experience	<u>44,910</u>
Total	<u>\$ 60,821</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$15,911 will be recognized as an increase to the net pension asset for the year ending March 31, 2021. Remaining net deferred outflows of resources related to pensions totaling \$44,910 will be recognized in pension expense for the years ending March 31, 2022, and 2023 in the amounts of \$25,664 and \$19,246, respectively.

As of March 31, 2021, the City reported on the Statement of Net Position deferred inflows of resources related to pensions from the following sources:

Difference between projected and actual investment earnings	\$ 80,912
Change of assumptions	3,867
Difference between projected and actual experience	<u>65,828</u>
Total	<u>\$ 150,607</u>

Net deferred inflows of resources related to pensions totaling \$150,607 will be recognized as a reduction of pension expense for the years ending March 31, 2022, 2023, 2024, and 2025 in the amounts of (\$63,388), (\$60,363), (\$24,446) and (\$2,410), respectively.

Note 11: Other Post-Employment Benefits (OPEB)

Plan Description

The City also participates in the cost sharing single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). For purposes of reporting under GASB Statement No. 75, the retiree portion of the SDBF does not meet the definition of a trust and is not considered a cost-sharing plan and is instead considered a single-employer, defined benefit OPEB plan. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City offered SDBF to active employees and retirees in the 2020 and 2021 plan years.

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 an “other postemployment benefit,” or OPEB.

The city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee’s entire careers.

Contributions

The City determines rates based on an actuarially determined rate. The City’s average contribution rate was 5.79% of covered payroll as of the measurement date of December 31, 2020. Employees are not required to contribute to the plan.

Employees covered by benefit terms.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>27</u>
Total participants	33

Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those participating in the SDBF benefit.

Actuarial Assumptions

The total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.00%, which is based on the Fidelity Index’s “20-Year Municipal GO AA Index”

Administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. Salary increases were based on a service-related table. Mortality rates for service retirees and beneficiaries were based on gender-distinct 2019 Municipal Retirees of Texas mortality tables with rates projected on a fully generational basis by Scale UMP to account for future mortality improvements and based on the City's size, the rates were multiplied by an additional factor of 100%. For disabled annuitants, the mortality table for a healthy retiree is used with a 4 year set-forward for males and a 3 year set-forward for females. For pre-retirement mortality, the PUB(10) mortality tables, with the Public Safety table for males and the General Employee table for females were used.

Actuarial assumptions used in the December 31, 2020 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018, first used in the December 31, 2019 valuation. Assumptions are reviewed annually. No additional changes were made for the 2020 valuation.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.00%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020. Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances as of December 31, 2019	\$ 53,013
Changes for the year:	
Service cost	3,850
Interest on total OPEB liability	1,505
Difference in expected and actual experience	(13,227)
Changes in assumptions	5,952
Benefit payments	<u>(437)</u>
Balances as of December 31, 2020	<u>\$ 50,656</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City calculated using the discount rate of 2.75% as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate:

	<u>1% Decrease (1.00%)</u>	<u>Current Rate (2.00%)</u>	<u>1% Increase (3.00%)</u>
Total OPEB liability	\$ 60,174	\$ 50,656	\$ 42,932

OPEB Expense

Contributions subsequent to measurement date	\$ 630
Change in OPEB liability	<u>3,616</u>
Total OPEB expense	<u>\$ 4,246</u>

Deferred Outflows (Inflows) of Resources

For the year ended March 31, 2021, the City recognized OPEB expense of \$4,246. The City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes in assumptions and other Inputs	\$ 9,585	\$ (1,510)
Difference in expected and actual experience	-	(11,959)
Contributions made subsequent to measurement date	<u>630</u>	<u>-</u>
Total	<u>\$ 10,215</u>	<u>\$ (13,469)</u>

Deferred outflows of resources related to contributions subsequent to measurement date of \$630 will be recognized as a decrease in the net OPEB liability for the year ending March 31, 2021. Remaining net deferred outflows of resources related to OPEB totaling \$9,585 will be recognized in OPEB expense for the years ending March 31, 2022, 2023, 2024, 2025, and 2026 in the amounts of \$2,023, \$2,023, \$2,023, \$1,961, and \$1,555, respectively.

Deferred inflows of resources related to OPEB totaling \$13,469 will be recognized in OPEB expense for the years ending March 31, 2022, 2023, 2024, 2025, and 2026 in the amounts of (\$2,882), (\$2,882), (\$2,866), (\$2,673), and (\$2,166), respectively.

Note 12: Deficit Net Position

The Garbage Fund ended with a deficit balance of (\$9,421) as of March 31, 2021. Transfers from the General Fund are available to eliminate the deficit balance.

Required Supplementary Information

CITY OF ANSON, TEXAS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2021

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 1,078,053	\$ 1,078,053	\$ 1,078,053	\$ -
Resources (Inflows):				
Taxes:				
Property tax	920,000	920,000	990,834	70,834
Sales tax	289,000	289,000	421,558	132,558
Other tax	67,000	67,000	97,796	30,796
Total taxes	<u>1,276,000</u>	<u>1,276,000</u>	<u>1,510,188</u>	<u>234,188</u>
Miscellaneous:				
Charges for services	15,000	15,000	19,174	19,174
Fines and fees	152,000	152,000	73,066	(78,934)
Grant proceeds			147,952	147,952
Miscellaneous	12,990	12,990	65,402	52,412
Total miscellaneous	<u>179,990</u>	<u>179,990</u>	<u>305,594</u>	<u>140,604</u>
Transfers In			<u>273,726</u>	<u>273,726</u>
Amounts available for appropriation	<u>2,534,043</u>	<u>2,534,043</u>	<u>3,167,561</u>	<u>648,518</u>
Charges to Appropriations (Outflows):				
General government	449,729	449,729	672,155	(222,426)
Judicial and legal	153,519	153,519	114,070	39,449
Public safety	469,523	469,523	559,743	(90,220)
Streets	280,000	280,000	439,784	(159,784)
Culture and recreation	86,500	86,500	160,823	(74,323)
Transfers Out	-	-	<u>163,046</u>	<u>(163,046)</u>
Total charges to appropriations	<u>1,439,271</u>	<u>1,439,271</u>	<u>2,109,621</u>	<u>(670,350)</u>
Ending Budgetary Fund Balance	\$ <u>1,094,772</u>	\$ <u>1,094,772</u>	\$ <u>1,057,940</u>	\$ <u>(21,832)</u>

Notes to Budgetary Comparison Schedule - General Fund

Note 1: Basis of Accounting

The budget is prepared on the same modified-accrual basis of accounting as applied to the governmental fund in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

CITY OF ANSON, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY / (ASSET)
AND RELATED RATIOS - PENSION PLAN
FOR THE YEAR ENDED MARCH 31, 2021 *

	Measurement Date 12/31/2020	Measurement Date 12/31/2019	Measurement Date 12/31/2018
Total Pension Liability:			
Service cost	\$ 65,186	\$ 50,258	\$ 46,361
Interest on total pension liability	88,517	84,518	80,643
Change in benefit terms including substantively automatic status	21,304		
Difference between expected and actual experience	(102,953)	(9,746)	(15,946)
Change in assumptions		(11,044)	
Benefit payments / refunds of contributions	<u>(112,926)</u>	<u>(54,104)</u>	<u>(57,094)</u>
Net change in total pension liability	<u>(40,872)</u>	<u>59,882</u>	<u>53,964</u>
Total pension liability, beginning	<u>1,313,927</u>	<u>1,254,045</u>	<u>1,200,081</u>
Total pension liability, ending (a)	<u>1,273,055</u>	<u>1,313,927</u>	<u>1,254,045</u>
Fiduciary Net Position:			
Employer contributions	15,574	13,959	10,965
Member contributions	43,749	40,926	38,378
Investment income net of investment expenses	110,953	195,874	(39,386)
Benefit payments / refunds of contributions	(112,926)	(54,104)	(57,094)
Administrative expenses	(720)	(1,109)	(762)
Other	<u>(27)</u>	<u>(32)</u>	<u>(40)</u>
Net change in fiduciary net position	<u>56,603</u>	<u>195,514</u>	<u>(47,939)</u>
Fiduciary net position, beginning	<u>1,465,093</u>	<u>1,269,579</u>	<u>1,317,518</u>
Fiduciary net position, ending (b)	<u>1,521,696</u>	<u>1,465,093</u>	<u>1,269,579</u>
Net pension liability / (asset), ending ((a) - (b))	<u>\$ (248,641)</u>	<u>\$ (151,166)</u>	<u>\$ (15,534)</u>
Fiduciary net position as a % of total pension liability	119.53%	111.50%	101.24%
Pensionable covered payroll	\$ 874,973	\$ 818,526	\$ 767,564
Net pension liability / (asset) as a % of covered payroll	-28.42%	-18.47%	-2.02%

* A full 10-year schedule will be displayed as it becomes available

Measurement Date 12/31/2017	Measurement Date 12/31/2016	Measurement Date 12/31/2015	Measurement Date 12/31/2014
\$ 45,203	\$ 48,809	\$ 46,858	\$ 48,256
79,654	75,685	71,315	70,961
	6,050		
(56,217)	(16,745)	(15,287)	(19,127)
(52,025)	(42,263)	36,590	(102,577)
		(45,798)	
<u>16,615</u>	<u>71,536</u>	<u>93,678</u>	<u>(2,487)</u>
<u>1,183,466</u>	<u>1,111,930</u>	<u>1,018,252</u>	<u>1,020,739</u>
<u>1,200,081</u>	<u>1,183,466</u>	<u>1,111,930</u>	<u>1,018,252</u>
10,207	17,066	10,321	23,562
36,454	43,124	38,345	32,728
161,034	72,533	1,578	56,262
(52,025)	(42,263)	(45,798)	(62,277)
(835)	(819)	(961)	(587)
<u>(42)</u>	<u>(44)</u>	<u>(47)</u>	<u>(48)</u>
<u>154,793</u>	<u>89,597</u>	<u>3,438</u>	<u>49,640</u>
<u>1,162,725</u>	<u>1,073,128</u>	<u>1,069,690</u>	<u>983,443</u>
<u>1,317,518</u>	<u>1,162,725</u>	<u>1,073,128</u>	<u>1,033,083</u>
\$ <u>(117,437)</u>	\$ <u>20,741</u>	\$ <u>38,802</u>	\$ <u>(14,831)</u>
109.79%	98.25%	96.51%	101.46%
\$ 729,079	\$ 798,839	\$ 766,909	\$ 654,559
-16.11%	2.60%	5.06%	-2.27%

CITY OF ANSON, TEXAS
SCHEDULE OF CONTRIBUTIONS - PENSION PLAN
 FOR THE LAST 10 FISCAL YEARS *

Period Ending March 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll**	Actual Contribution as a % of Covered Payroll
2013	\$ 13,813	\$ 13,813	\$ -	\$ 593,433	2.33%
2014	\$ 12,569	\$ 12,569	\$ -	\$ 705,470	1.78%
2015	\$ 13,556	\$ 13,556	\$ -	\$ 730,002	1.86%
2016	\$ 14,814	\$ 14,814	\$ -	\$ 768,413	1.93%
2017	\$ 13,847	\$ 13,847	\$ -	\$ 785,486	1.76%
2018	\$ 12,415	\$ 12,415	\$ -	\$ 743,387	1.67%
2019	\$ 12,894	\$ 12,894	\$ -	\$ 772,099	1.67%
2020	\$ 16,598	\$ 16,598	\$ -	\$ 840,786	1.97%
2021	\$ 18,433	\$ 18,433	\$ -	\$ 882,273	2.09%

Notes to Schedule of Contributions:

Valuation date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	N/A
Asset valuation method	10 year smoothed market; 12% soft corridor
Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other information	Increased City matching ratio from 1:1 to 1.5:1. Increased statutory max to 9.50% due to plan changes.

* A full 10-year schedule will be displayed as it becomes available

** Payroll is calculated based on contributions as reported to TMRS

CITY OF ANSON, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS - OPEB PLAN
FOR THE YEAR ENDED MARCH 31, 2021 *

	Measurement Date 12/31/2020	Measurement Date 12/31/2019	Measurement Date 12/31/2018
Total OPEB Liability:			
Service cost	\$ 3,850	\$ 2,456	\$ 2,072
Interest on total OPEB liability	1,505	1,638	1,494
Effect of assumption changes or inputs	5,952	7,230	(2,674)
Difference in experience	(13,227)	(1,019)	(1,518)
Benefit payments / refunds of contributions	<u>(437)</u>	<u>(409)</u>	<u>(691)</u>
Net change in total OPEB liability	<u>(2,357)</u>	<u>9,896</u>	<u>(1,317)</u>
Total OPEB liability, beginning	<u>53,013</u>	<u>43,117</u>	<u>44,434</u>
Total OPEB liability, ending	<u>\$ 50,656</u>	<u>\$ 53,013</u>	<u>\$ 43,117</u>
Covered payroll	\$ 874,973	\$ 818,527	\$ 767,564
Total OPEB liability as a % of covered payroll	5.79%	6.48%	5.62%

* A full 10-year schedule will be displayed as it becomes available

Other Supplementary Information

CITY OF ANSON, TEXAS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2021

	<u>Component Unit ADC</u>	<u>Component Unit IDC</u>	<u>Anson Volunteer Fire Department</u>	<u>Opera House</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 100,076	\$ 25,249	\$ 70,032	\$ 3,576	\$ 198,933
Certificates of deposit			37,733		37,733
Due from other funds	5,430	5,430			10,860
Prepaid expenses			124		124
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 105,506</u>	<u>\$ 30,679</u>	<u>\$ 107,889</u>	<u>\$ 3,576</u>	<u>\$ 247,650</u>
FUND BALANCES					
Fund Balances:					
Assigned	105,506	30,679	107,765	3,576	247,526
Nonspendable			124		124
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>\$ 105,506</u>	<u>\$ 30,679</u>	<u>\$ 107,889</u>	<u>\$ 3,576</u>	<u>\$ 247,650</u>

CITY OF ANSON, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2021**

	Component Unit ADC	Component Unit IDC	Anson Volunteer Fire Department	Opera House	Total Nonmajor Governmental Funds
REVENUES					
Taxes	\$ 30,111	\$ 30,111	\$	\$	\$ 60,222
Donation income			13,970		13,970
Grant income			19,970		19,970
Interest	155	1,067	278	3	1,503
Other		100	6,333	5,992	12,425
Total Revenues	<u>30,266</u>	<u>31,278</u>	<u>40,551</u>	<u>5,995</u>	<u>108,090</u>
EXPENDITURES					
Culture and recreation				5,235	5,235
Economic development	29,023	55,882			84,905
Public safety			25,633		25,633
Capital outlay			35,107		35,107
Total Expenditures	<u>29,023</u>	<u>55,882</u>	<u>60,740</u>	<u>5,235</u>	<u>150,880</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>1,243</u>	<u>(24,604)</u>	<u>(20,189)</u>	<u>760</u>	<u>(42,790)</u>
OTHER FINANCING SOURCES (USES)					
Note payments received	1,054	4,181			5,235
Transfers in			52,551		52,551
Transfers out			(3,048)		(3,048)
Total Other Financing Sources	<u>1,054</u>	<u>4,181</u>	<u>49,503</u>	<u>-</u>	<u>54,738</u>
Excess (Deficit) of revenues and other financing sources over (under) expenditures and other financing uses	<u>2,297</u>	<u>(20,423)</u>	<u>29,314</u>	<u>760</u>	<u>11,948</u>
Fund Balance, Beginning of Year	<u>103,209</u>	<u>51,102</u>	<u>78,575</u>	<u>2,816</u>	<u>235,702</u>
Fund Balance, End of Year	<u>\$ 105,506</u>	<u>\$ 30,679</u>	<u>\$ 107,889</u>	<u>\$ 3,576</u>	<u>\$ 247,650</u>

Internal Control Section

September 23, 2021

Independent Auditors' Report

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Honorable Mayor, Members of the City Council
City of Anson, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Anson, Texas (the City), as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 23, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2021-002.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Condley & Company, LLP

Certified Public Accountants

CITY OF ANSON, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended March 31, 2021

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

A. Type of Report Issued on the Financial Statements

The Independent Auditors' Report on the financial statements of the City of Anson, Texas as of and for the year ended March 31, 2021, was an unmodified opinion.

B. Material weakness in Internal Control Disclosed by the Audit of the Financial Statements.

The audit of the financial statements of the City of Anson, Texas as of and for the year ended March 31, 2021, disclosed a material weakness in internal control.

C. Noncompliance Material to the Financial Statements

The audit disclosed one instance of noncompliance which are material to the financial statements of the City of Anson, Texas as of and for the year ended March 31, 2021.

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Material Weakness in Internal Control

2021-001

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely, correctly, and in the proper reporting period, thereby providing accurate financial data.

Condition: Payments for the purchase of fixed assets and debt are made from available funding, and not the proper fund.

Effect: Debt payments, fixed asset purchases, and asset trade-ins required numerous audit adjustments to record transactions into the proper funds.

Cause: Management is not reviewing these accounts on a regular basis; therefore corrections are not being made to the appropriate accounts.

Recommendation: At a minimum, we recommend management transfer funds to the appropriate accounts prior to making payments on debt or purchasing fixed assets.

Views of responsible official and planned corrective actions:

Fixed assets and debt are being tracked throughout the year for proper posting. At year end, the City will compile all information and perform an internal audit to ensure all accounts are properly recorded.

Any issues brought to the attention of the City staff have been addressed and corrective actions have been taken where applicable.

B. Compliance Findings

2021-002

Criteria: In accordance with Texas Government Code Title 10, Subtitle F, Chapter 2257, a deposit of public funds shall be secured by eligible security to the extent and in the manner required by Government Code.

Condition: During the 2021 audit of cash balances, instances of uncollateralized deposits were discovered as stated in Note 3 of the Notes to Financial Statements. Upon inquiry of management and during the confirmation process, it was discovered that the City did not have a depository contract with the bank.

Effect: Public funds are not collateralized due to City funds exceeding FDIC insurance coverage and pledged securities were not available to cover the remaining balance.

Cause: No depository contract is on file with the bank.

Recommendation: We recommend the City maintains a depository contract at a permitted institution in order to sufficiently cover all deposits of public funds.

Views of responsible official and planned corrective actions:

The Banking Facility has declined a depository contract with the City. City Council voted to continue banking with the local Banking Facility and is aware deposits are not in compliance with the City's investment policy and the Public Funds Investment Act.