



**CITY OF MOUNT ENTERPRISE, TEXAS
FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2021**

**CITY OF MOUNT ENTERPRISE, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Mount Enterprise, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mount Enterprise, Texas as of and for the year ended September 30, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mount Enterprise, Texas, as of September 30, 2021, and the respective changes in financial position, and where applicable, cash flows and respective budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, budgetary comparison information on page 51, and the Texas Municipal Retirement System schedules on pages 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2022, on our consideration of the City of Mount Enterprise, Texas'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 Mount Enterprise, Texas's internal control over financial reporting and compliance.



David K. Godwin, CPA, PLLC

Tyler, Texas
April 26, 2022

Management's Discussion and Analysis



City of Mount Enterprise

Suzanne M. Pharr

City Secretary, Court Administrator, JCM

103 W. Gregg Street

Mount Enterprise, TX 75681

903-822-3269x113

Mayor and Council

Jim Reese

Mayor

jimreese@CityMTE.com

Freddy Swann

Councilmember

freddyswann@CityMTE.com

Judy Cox

Councilmember

judycox@CityMTE.com

Jacob Waldron

Councilmember

jacobwaldron@CityMTE.com

Mary Jo Baird

Councilmember

maryjobaird@CityMTE.com

Harvey Graves

Councilmember

harveygraves@CityMTE.com

City Employee's

Suzanne M. Pharr

**City Secretary/Court
Administrator/JCM**

suzannepharr@CityMTE.com

Khristy Webb

Office Assistant/Court Clerk

khristywebb@CityMTE.com

Jon Randolph

City Marshal

jonrandolph@CityMTE.com

Management's Discussion and Analysis

For Year Ended September 30, 2021

(Unaudited)

The Management Discussion and Analysis of the City of Mount Enterprise's (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2021. Please read in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

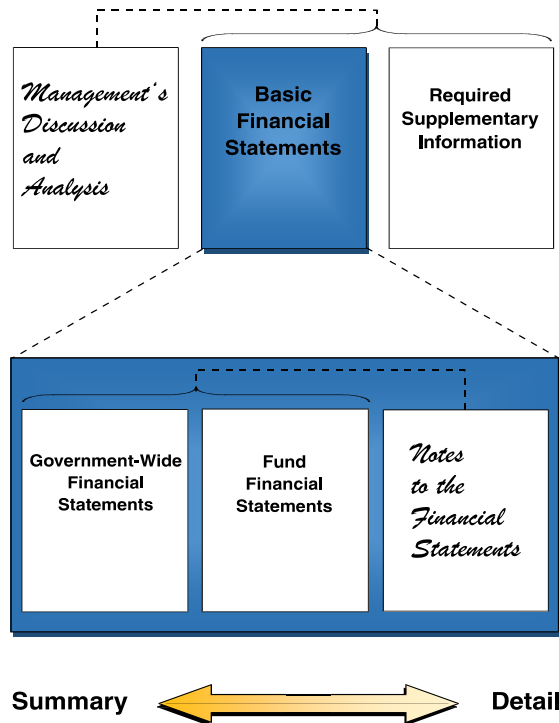
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1,844,942 (Net Position). Of this amount, \$505,800 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$192,704.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$403,503. \$370,067 is unassigned and available for use within the City's fund designation and fiscal policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$272,916, or 71.08% of the total general fund expenditures.
- The City's outstanding long-term debt increased by \$40,461 at September 30, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City’s annual report consists of a series of financial statements, notes to those statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the City’s overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the City’s operations in more detail than the Government-Wide Statements.
 - The Governmental Funds Statements tell how general government services were financed in the short term as well as what remains for future spending.
 - Proprietary Fund Statements offer financial information about the internal service fund used to report activities that provide services to organizations within the City.

Figure A-1. Required Components of the City’s Annual Financial Report



The basic financial statements include notes that explain information contained within the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 (above) shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 (next page) summarizes the major features of the City’s financial statements, including the portion of the City’s government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**FIGURE A-2
MAJOR FEATURES OF THE CITY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

<i>Type of Statement</i>	Government-Wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: Wastewater
<i>Required financial statements</i>	• Statement of net position	• Balance sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• Statement of revenues, expenses and changes in fund net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The Government-Wide Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-Wide Statements report the City's net position and how it has changed. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's tax base.

The Government-Wide Financial Statements of the City include the governmental activities. The City's basic activities include general government, public safety, highways and streets, public services and culture and recreation. Fines, forfeitures and taxes finance most of these activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices used by the City to track specific sources and uses of funding for specified activities.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two types of funds:

- **Governmental funds**—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the year-end balances that are available for spending. Consequently, the Governmental Fund Statements provide a detailed short-term view that helps you determine the level of financial resources that can be spent in the near term to finance the City's programs. Because this information does not encompass the additional long-term focus of the Government-Wide Statements, we provide additional information at the bottom of the Governmental Fund Statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary funds**—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-Wide Statements, provide both long-term and short-term financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$1,844,942 as of September 30, 2021.

The largest portion of the City's net position, 71%, or \$1,315,832 reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any outstanding debt used in acquiring those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to repay these liabilities.

CITY OF MOUNT ENTERPRISE'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 724,778	\$ 291,154	\$ 120,352	\$ 69,335	\$ 845,130	\$ 360,489
Capital Assets	244,418	195,718	1,111,875	1,144,562	1,356,293	1,340,280
Total Assets	969,196	486,872	1,232,227	1,213,897	2,201,423	1,700,769
 Total Deferred Outflows of Resources	 9,707	 (26,735)	 -	 -	 9,707	 (26,735)
Non-Current Liabilities	42,849	-	-	-	42,849	-
Other Liabilities	310,695	26,971	103	85	310,798	27,056
Total Liabilities	353,544	26,971	103	85	353,647	27,056
 Total Deferred Inflows of Resources	 12,541	 (5,260)	 -	 -	 12,541	 (5,260)
Net Position:						
Invested in Capital Assets,						
Net of Related Debt	203,957	195,718	1,111,875	1,144,562	1,315,832	1,340,280
Restricted	23,310	19,163	-	-	23,310	19,163
Unrestricted	385,551	223,545	120,249	69,250	505,800	292,795
Total Net Position	\$ 612,818	\$ 438,426	\$ 1,232,124	\$ 1,213,812	\$ 1,844,942	\$ 1,652,238

A portion of net position, \$15,404, is restricted for municipal court security and technology enhancements, in addition to \$7,906 held for continuing education under the Law Enforcement Officer Standards and Education (LEOSE) fund. The remaining balance of unrestricted net position, \$385,551 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2021, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its business-type activities. In the prior fiscal year, the City also reported positive balances in all three categories of net position.

Analysis of the City's Operations - Overall the City had an increase in net position of \$192,704.

Governmental Activities: Net position for the governmental activities increased by \$174,392. Net position invested in capital assets, net of related debt, increased by \$8,239 due to acquisitions exceeding depreciation expenses and related notes payable. The remaining change in net position is due to larger than expected sales tax collections and grant awards.

Total revenues for the governmental activities increased from the previous year by \$121,663 primarily due to larger than expected sales tax collections and grant awards. General revenue increased \$119,790 during 2021, primarily due to similar activities.

Business-type Activities: Net position from business-type activities increased by \$18,312. This increase was primarily due to operating revenues and interfund transfers exceeding operating expenses and maintenance.

The following table provides a summary of the City's operations for the year ended September 30, 2021, with comparative totals for the year ended September 30, 2020.

CITY OF MOUNT ENTERPRISE'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Operating Revenues:						
Charges for Services	\$ 121,047	\$ 119,174	\$ 105,410	\$ 94,654	\$ 226,457	\$ 213,828
Other	-	-	-	5,969	-	5,969
General Revenues:						
Taxes	330,801	289,133	-	-	330,801	289,133
Interest Income	288	181	-	-	288	181
Grant	78,162	2,209	-	-	78,162	2,209
Miscellaneous	2,676	614	-	-	2,676	614
Total Revenues	532,974	411,311	105,410	100,623	638,384	511,934
Expenses:						
General Government	333,582	284,389	-	-	333,582	284,389
Water and Sewer	-	-	112,179	114,485	112,179	114,485
Total Expenses	333,582	284,389	112,179	114,485	445,761	398,874
Increase (Decrease) in Total Revenues	199,392	126,922	(6,769)	(13,862)	192,623	113,060
NONOPERATING REVENUES (EXPENSES)						
Interest Income	-	-	81	62	81	62
Total Non-operating Expense	-	-	81	62	81	62
OTHER FINANCING SOURCES (USES)						
Operating Transfers from Other Funds	-	-	25,000	-	25,000	-
Operating Transfers to Other Funds	(25,000)	-	-	-	(25,000)	-
Total Other Financing Sources (Uses)	(25,000)	-	25,000	-	-	-
Change in Net Position	174,392	126,922	18,312	(13,800)	192,704	113,122
Net Position – Beginning	438,426	311,504	1,213,812	1,227,612	1,652,238	1,539,116
Net Position – Ending	\$ 612,818	\$ 438,426	\$ 1,232,124	\$ 1,213,812	\$ 1,844,942	\$ 1,652,238

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$403,503; of this total amount, \$370,067, constitutes unassigned fund balance.

In the general fund, the City’s original budget planned for an increase in the fund balance on a budget basis.

Actual revenues in all categories were higher than the final budgeted amounts by a total of \$131,281. Actual expenditures not including transfers were lower than final budgeted amounts by a total of \$14,888.

Proprietary funds – The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

CAPITAL ASSETS

The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$1,356,293 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, vehicles, and infrastructure. The total increase in capital assets for the current fiscal year was \$16,013, or 1.18%.

Major capital asset additions during fiscal year 2021 included \$7,980 for equipment utilized for operations of the City’s water and sewer system, and \$60,077 for equipment and vehicle replacement used by the City’s police department.

CAPITAL ASSETS AT YEAR-END AND ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 12,910	\$ 12,910	\$ 128,545	\$ 128,545	\$ 141,455	\$ 141,455
Building	68,030	68,030	-	-	68,030	68,030
Police Vehicle & Equipment	130,532	70,455	-	-	130,532	70,455
Wastewater System	-	-	1,613,356	1,605,376	1,613,356	1,605,376
Infrastructure	648,846	648,846	-	-	648,846	648,846
Accumulated Depreciation	(615,900)	(604,523)	(630,026)	(589,359)	(1,245,926)	(1,193,882)
Total	<u>\$ 244,418</u>	<u>\$ 195,718</u>	<u>\$ 1,111,875</u>	<u>\$ 1,144,562</u>	<u>\$ 1,356,293</u>	<u>\$ 1,340,280</u>

Additional information on the City’s capital assets can be found in Note 2 on page 35 in the notes of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had one note payable for \$40,461, which is secured by a vehicle.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Notes Payable	\$ 40,461	\$ -	\$ -	\$ -	\$ 40,461	\$ -
Total	\$ 40,461	\$ -	\$ -	\$ -	\$ 40,461	\$ -

During the fiscal year, the City's note payable increased by \$40,461, or 100%. The increase was primarily due to the following:

- Loan for capital asset purchase.

Additional information on the City's long term-debt can be found in Note 2 on page 36 in the notes of this report.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Mount Enterprise, Attn: City Administrator at 103 W. Gregg Street, Mount Enterprise, Texas 75681, or call (903) 822-3269.

Basic Financial Statements

Government-Wide Financial Statements

CITY OF MOUNT ENTERPRISE TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 320,494	\$ 109,443	\$ 429,937
Receivables (net of allowances):			
Sales taxes	56,086	-	56,086
Property taxes	7,845	-	7,845
Franchise taxes	6,161	-	6,161
Fines and forfeitures	15,180	-	15,180
Other	-	10,909	10,909
Restricted cash	308,539	-	308,539
Net pension asset	10,473	-	10,473
Capital assets:			
Land and other non-depreciated assets	12,910	128,545	141,455
Other capital assets - net of depreciation	231,508	983,330	1,214,838
	<u>969,196</u>	<u>1,232,227</u>	<u>2,201,423</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pensions subsequent to the measurement date	4,804	-	4,804
Changes in actuarial assumptions and other inputs	1,129	-	1,129
Differences between expected and actual economic experience on pensions	3,774	-	3,774
	<u>9,707</u>	<u>-</u>	<u>9,707</u>
LIABILITIES			
Accounts payable and accrued liabilities	17,728	103	17,831
Unearned revenue	285,229	-	285,229
Long-term liabilities:			
Due within one year	7,738	-	7,738
Due in more than one year	42,849	-	42,849
	<u>353,544</u>	<u>103</u>	<u>353,647</u>
DEFERRED INFLOWS OF RESOURCES			
Differences between projected and actual investment earnings on pensions	12,541	-	12,541
	<u>12,541</u>	<u>-</u>	<u>12,541</u>
NET POSITION			
Investment in capital assets, net of related debt	203,957	1,111,875	1,315,832
Restricted for municipal court	15,404	-	15,404
Restricted for public safety	7,906	-	7,906
Unrestricted	385,551	120,249	505,800
	<u>\$ 612,818</u>	<u>\$ 1,232,124</u>	<u>\$ 1,844,942</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MOUNT ENTERPRISE TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary government:						
Governmental activities:						
Administration	\$ 113,175	\$ -	\$ 78,162	\$ (35,013)	\$ -	\$ (35,013)
Municipal court	84,950	114,465	-	29,515	-	29,515
Police department	111,016	-	-	(111,016)	-	(111,016)
Sanitation	-	6,582	-	6,582	-	6,582
Highways and streets	20,648	-	-	(20,648)	-	(20,648)
Parks and recreation	3,793	-	-	(3,793)	-	(3,793)
Total governmental activities	333,582	121,047	78,162	(134,373)	-	(134,373)
Business-type activities:						
Water and sewer	112,179	105,410	-	-	(6,769)	(6,769)
Total business-type activities	112,179	105,410	-	-	(6,769)	(6,769)
Total primary government	\$ 445,761	\$ 226,457	\$ 78,162	(134,373)	(6,769)	(141,142)
General revenues:						
Sales taxes				267,080	-	267,080
Property taxes				35,335	-	35,335
Franchise taxes				28,386	-	28,386
Investment earnings				288	81	369
Miscellaneous local and intermediate revenue				2,676	-	2,676
Transfers				(25,000)	25,000	-
Total general revenues and transfers				308,765	25,081	333,846
Change in net position				174,392	18,312	192,704
Net position - beginning				438,426	1,213,812	1,652,238
Net position - ending				\$ 612,818	\$ 1,232,124	\$ 1,844,942

The notes to the financial statements are an integral part of this statement.

Fund Financial Statements

**CITY OF MOUNT ENTERPRISE TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	MAJOR FUNDS		TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	DEBT SERVICE FUND	
ASSETS			
Cash	\$ 223,343	\$ 97,151	\$ 320,494
Receivables (net of allowances):			
Sales taxes	56,086	-	56,086
Property taxes	-	7,845	7,845
Franchise taxes	6,161	-	6,161
Fine and forfeitures	15,180	-	15,180
Restricted cash	308,539	-	308,539
Total assets	\$ 609,309	\$ 104,996	\$ 714,305
LIABILITIES			
Accounts payable	\$ 17,728	\$ -	\$ 17,728
Unearned revenue	285,229	-	285,229
Total liabilities	302,957	-	302,957
DEFERRED INFLOWS (OF RESOURCES)			
Property taxes	-	7,845	7,845
Total deferred inflows	-	7,845	7,845
FUND BALANCES			
Restricted fund balance:			
Municipal court	15,404	-	15,404
Public safety	7,906	-	7,906
Assigned fund balance:			
Retirement of long-term debt	10,126	-	10,126
Unassigned fund balance	272,916	97,151	370,067
Total fund balances	306,352	97,151	403,503
Total liabilities, deferred inflows and fund balances	\$ 609,309	\$ 104,996	\$ 714,305

The notes to the financial statements are an integral part of this statement.

**CITY OF MOUNT ENTERPRISE TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances - governmental funds	\$ 403,503
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.	244,418
Long-term liabilities are not due and payable in the current period and, therefore, are not reported on the governmental funds balance sheet.	(50,587)
Long-term pension and OPEB assets or liabilities, which are based on GASB 68 and GASB 75 reporting requirements, are not due and payable in the current period and, therefore, are not reported in the governmental fund financial statements.	7,639
Delinquent property taxes receivable is a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.	<u>7,845</u>
Net position of governmental activities	<u><u>\$ 612,818</u></u>

CITY OF MOUNT ENTERPRISE TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	MAJOR FUNDS		TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	DEBT SERVICE FUND	
REVENUES			
Taxes:			
Sales	\$ 267,080	\$ -	\$ 267,080
Property	-	33,268	33,268
Franchise	28,386	-	28,386
Fines and forfeitures	114,465	-	114,465
Sanitation services	6,582	-	6,582
Interest income	201	87	288
Grant	78,162	-	78,162
Miscellaneous	2,676	-	2,676
	<u>497,552</u>	<u>33,355</u>	<u>530,907</u>
Total revenues			
EXPENDITURES			
Administration	112,421	-	112,421
Municipal court	84,950	-	84,950
Police department	106,645	-	106,645
Highways and streets	16,093	-	16,093
Parks and recreation	3,793	-	3,793
Capital outlay	60,077	-	60,077
	<u>383,979</u>	<u>-</u>	<u>383,979</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>113,573</u>	<u>33,355</u>	<u>146,928</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers to other funds	(25,000)	-	(25,000)
Loan proceeds for capital purchases	40,461	-	40,461
	<u>15,461</u>	<u>-</u>	<u>15,461</u>
Total other financing sources (uses)			
Net change in fund balances	129,034	33,355	162,389
Fund balances - beginning of year	<u>177,318</u>	<u>63,796</u>	<u>241,114</u>
Fund balances - end of year	<u>\$ 306,352</u>	<u>\$ 97,151</u>	<u>\$ 403,503</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MOUNT ENTERPRISE TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$ 162,389
The depreciation of capital assets used in governmental activities is not reported in the funds.	(11,377)
Net delinquent property tax collections provide current financial resources to the funds (but has no effect on net assets).	2,067
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
GASB 68 Pension adjustments	3,243
GASB 75 Other post employment benefit adjustments	(1,546)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide statement of activities.	60,077
Increases in long-term liabilities on capital assets should be shown as an expenditure in the government-wide statement of activities, however, current financial resources are not consumed in the governmental funds.	<u>(40,461)</u>
Change in net position of governmental activities	<u><u>\$ 174,392</u></u>

**CITY OF MOUNT ENTERPRISE TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
ASSETS	<u>WASTEWATER</u>
Current assets:	
Cash	\$ 109,443
Accounts receivable (net)	<u>10,909</u>
Total current assets	<u>120,352</u>
Noncurrent assets:	
Capital assets:	
Land	128,545
Wastewater system	1,613,356
Less: accumulated depreciation	<u>(630,026)</u>
Total noncurrent assets	<u>1,111,875</u>
Total assets	<u>\$ 1,232,227</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>\$ 103</u>
Total liabilities	<u>103</u>
NET POSITION	
Investment in capital assets, net of related debt	1,111,875
Unrestricted	<u>120,249</u>
Total net position	<u>1,232,124</u>
Total net position and liabilities	<u>\$ 1,232,227</u>

CITY OF MOUNT ENTERPRISE TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	WASTEWATER
OPERATING REVENUES	
Service charges	\$ 105,410
Total operating revenues	105,410
OPERATING EXPENSES	
Contract labor	22,226
Depreciation	40,667
Maintenance	20,754
Utilities	12,501
Chemicals and supplies	7,649
Permits and licenses	6,991
Other	1,391
Total operating expenses	112,179
Operating loss	(6,769)
NONOPERATING REVENUES (EXPENSES)	
Interest income	81
Total nonoperating expenses	81
Loss before operating transfers	(6,688)
TRANSFERS	
Transfers in	25,000
Total transfers	25,000
Change in net position	18,312
Net position - beginning of year	1,213,812
Net position - end of year	\$ 1,232,124

The notes to the financial statements are an integral part of this statement.

**CITY OF MOUNT ENTERPRISE TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND <u>WASTEWATER</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 101,065
Payments to suppliers	<u>(71,494)</u>
Net cash provided by operating activities	<u>29,571</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers-in from other funds	<u>25,000</u>
Net cash provided by non-capital financing activities	<u>25,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(7,980)</u>
Net cash used in capital and related financing activities	<u>(7,980)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>81</u>
Net cash provided by investing activities	<u>81</u>
Net increase in cash and cash equivalents	46,672
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>62,771</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 109,443</u></u>
Reconciliation of Operating Loss to Net Cash provided by Operating Activities	
Operating loss	\$ (6,769)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	40,667
Changes in assets and liabilities:	
Increase in accounts payable	18
Increase in accounts receivable	<u>(4,345)</u>
Total adjustments	<u>36,340</u>
Net cash provided by operating activities	<u><u>\$ 29,571</u></u>

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The financial statements of the City of Mount Enterprise (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2021.

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 of the non-fiduciary activities of the primary government. Governmental activities include programs supported primarily by taxes and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity.

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 identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Interfund activities between governmental funds appear as due to/due froms on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance. All interfund transactions between governmental funds are eliminated on the government-wide statements.

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Government-Wide and Fund Financial Statements - continued

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. All other expenses are non-operating.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year-end.

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

The City reports the following major governmental funds:

General Fund – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The City accounts for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.

The City reports the following major proprietary fund:

Wastewater Fund – This fund is utilized for the operations of the wastewater system provided by the City for the community.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

The City's cash and cash equivalents includes amounts on hand and in demand deposits.

Investments

State statutes and the City's investment policy authorize the City to invest in obligations of the U.S. Treasury, State of Texas obligations, certificates of deposit, commercial paper, corporate bonds, repurchase agreements, and mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "Due to/from Other Funds" (i.e. the current portion of the interfund loan) or "Advances to/from Other Funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "Due to/from Other Funds."

Property Taxes Receivable are shown net of an allowance for uncollectibles. The allowance is equal to zero (0) percent of delinquent property taxes receivable at September 30, 2021. The City's ad valorem taxes are levied on October 1 but do not become due until January 1 of the following year. Taxes become past due February 1 and become delinquent June 30. The City's taxes become a lien on real property on the due date of January 1. This lien is effective until the taxes are paid.

Long-Term Liabilities

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

In the fund financial statements, governmental fund types report the face amount of the debt issued as Other Financing Sources and debt payments as Expenditures.

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure (roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of three (3) years. Such assets are recorded at historical cost where records are available or at an estimated fair market value at the date of acquisition where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide statements regardless of their amount.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Additional capital assets, constructed or acquired each period, are capitalized and reported at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, equipment and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Wastewater System	40
Infrastructure	40
Building	15
Vehicles	7
Machinery & Equipment	3-7

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, and Net Position or Equity - continued

Fund Balance Classification

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the City Council, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts the City Council intends to use for a specific purpose. Intent can be expressed by the Mayor or the City Administrator, through which the City Council has delegated the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned, the City Council designated the authority to the Mayor and the City Administrator (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, and Net Position or Equity - continued

Compensated Absences

Compensated vacations are granted to all full-time regular employees of the City. After the completion of twelve (12) months of employment, five (5) days vacation is granted for employees. Regular employees then earn ten (10) days of vacation after three (3) years employment and fifteen (15) days after seven (7) years. Part time employees who are regularly scheduled to work 1,000 hours or more per year receive one week or 24 hours after one (1) year of service. After five years of service, part time employees earn two (2) weeks or 48 hours. Vacation leave may not be carried from one year to the next. Upon termination of employment, any earned and unused vacation up to thirty (30) hours is paid at the current rate of pay.

Sick leave is accrued at the rate of seven (7) days per year. Sick leave may not be rolled over from year to year. Upon termination or retirement of employment, any earned and unused sick leave is not paid.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualifies for reporting in this category. One item is the deferred outflow of resources – pension contributions paid after the measurement date. The second item is the deferred outflow of resources due to differences between projected and actual investment earnings on pensions. Investment gains and losses are recognized in pension expense over a period of five years.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources due to a difference between expected and actual economic experience on pensions which are recognized over the average remaining service life for all members. This is reported in the government-wide and proprietary funds statements of net position. Finally, the City has one item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items are unavailable revenue, and are reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Stewardship, Compliance, and Accountability

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund considers all cash and certificates of deposit to be cash equivalents.

Budgetary Data

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. The City holds a public hearing on the proposed budget prior to its adoption. All appropriations lapse at fiscal yearend.

The budget is legally enacted and once approved, can only be amended by approval of a majority of the Council members. Amendments are presented to the Council at the City's regular meetings.

Expenditures in Excess of Budgeted Amounts

The following is a summary of expenditures in excess of appropriations for the General Fund:

<u>Department</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance</u>
Municipal court	\$ 84,950	\$ 75,600	\$ (9,350)
Police department	\$ 106,645	\$ 106,025	\$ (620)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Related Parties

In the ordinary course of business, the City has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the City.

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS

Deposits

The City’s balances were completely covered by federal deposit insurance or collateralized at September 30, 2021. The City’s deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City’s name.

Category 2 - Collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.

Category 3 - Uncollateralized.

Deposits categorized by level of risk are as follows:

<u>Cash & Cash Equivalents</u>	<u>Bank</u>	<u>Category</u>			<u>Carrying</u>
	<u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>
General fund	\$ 531,882	\$ 250,000	\$ 281,882	\$ -	\$ 531,882
Debt service fund	97,151	-	97,151	-	97,151
Proprietary fund	109,443	-	109,443	-	109,443
Total	<u>\$ 738,476</u>	<u>\$ 250,000</u>	<u>\$ 488,476</u>	<u>\$ -</u>	<u>\$ 738,476</u>

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Property Tax

The assessed valuation (net of exemptions) was \$20,520,256 for 2021 (with taxes due January 1, 2021) levied at a rate of \$0.169958 per hundred-dollar valuation.

Receivables

Receivables as of year-end for the City's major government funds and business-type funds, including applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	<u>Primary Government</u>		<u>Business-Type</u>	<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Wastewater Fund</u>	
Accounts	\$ -	\$ -	\$ 10,909	\$ 10,909
Fines	538,891	-	-	538,891
Taxes	62,247	7,845	-	70,092
Gross receivables	601,138	7,845	10,909	619,892
Less: Allowance for uncollectables	(523,711)	-	-	(523,711)
Total	<u>\$ 77,427</u>	<u>\$ 7,845</u>	<u>\$ 10,909</u>	<u>\$ 96,181</u>

Interfund Transfers

Transfers are indicative of funding for capital projects, debt service, and subsidies of various City operations. The composition of inter-fund transfers from/to other funds as of September 30, 2021, is as follows:

<u>Funds</u>	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ -	\$ 25,000
Wastewater	25,000	-
Total	<u>\$ 25,000</u>	<u>\$ 25,000</u>

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Capital Assets

The following is a summary of the changes in the capital assets during the fiscal year:

<u>Primary Government</u>	<u>Balance 9/30/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2021</u>
<i>Governmental activities</i>				
<u>Non-depreciable assets:</u>				
Land	\$ 12,910	\$ -	\$ -	\$ 12,910
<u>Depreciable assets:</u>				
Buildings & improvements	68,030	-	-	68,030
Infrastructure	648,846	-	-	648,846
Police vehicle & equipment	70,455	60,077	-	130,532
Accumulate depreciation	(604,523)	(11,377)	-	(615,900)
Governmental activities, net	<u>195,718</u>	<u>48,700</u>	<u>-</u>	<u>244,418</u>
<i>Business-type activities</i>				
<u>Non-depreciable assets:</u>				
Land	128,545	-	-	128,545
<u>Depreciable assets:</u>				
Wastewater system	1,605,376	7,980	-	1,613,356
Accumulate depreciation	(589,359)	(40,667)	-	(630,026)
Business-type activities, net	<u>1,144,562</u>	<u>(32,687)</u>	<u>-</u>	<u>1,111,875</u>
Capital assets, net	<u>\$ 1,340,280</u>	<u>\$ 16,013</u>	<u>\$ -</u>	<u>\$ 1,356,293</u>

Depreciation expense for governmental activities was charged to Functions/Programs as follows:

Highways and streets	\$ 4,555
Administration	1,535
Police department	<u>5,287</u>
Total depreciation expense	<u>\$ 11,377</u>

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities

Notes payable currently outstanding and reported as liabilities of the City’s proprietary activities are as follows:

<u>Secured by</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Note Amount</u>	<u>Yearend Balance</u>
2021 Chevrolet Tahoe	9/30/2026	2.00%	\$ 40,461	\$ 40,461
Total notes payable				<u>\$ 40,461</u>

Annual debt service requirements for the City’s notes payable are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 7,738	\$ 856	\$ 8,594
2023	7,940	654	8,594
2024	8,098	496	8,594
2025	8,260	334	8,594
2026	8,425	169	8,594
Total	<u>\$ 40,461</u>	<u>\$ 2,509</u>	<u>\$ 42,970</u>

The changes in the general long-term debt as of September 30, 2021 are as follows:

	<u>Balance 9/30/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2021</u>	<u>Due Within One Year</u>
<i>Governmental activities:</i>					
Note payable	\$ -	\$ 40,461	\$ -	\$ 40,461	\$ 7,738
Net OPEB liability	7,314	2,812	-	10,126	-
Total	<u>\$ 7,314</u>	<u>\$ 43,273</u>	<u>\$ -</u>	<u>\$ 50,587</u>	<u>\$ 7,738</u>

CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage during the year ending September 30, 2021.

The City is a member of the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool, participating in workers' compensation, general liability, law enforcement liability, errors and omissions liability, automobile liability, automobile physical damage, real and personal property coverage, and employee health insurance.

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the city expects such amounts, if any, to be immaterial. No reportable litigation was pending against the City as of September 30, 2021.

Texas Municipal Retirement System Plan

Plan Description – The City participates as one of 895 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at TMRS.com.

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

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Texas Municipal Retirement System Plan – continued

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

At retirement, the Member’s benefit is calculated based on the sum of the Member’s contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest. Plan provisions for the City were as follows:

Plan Year	2021	2020
Employee deposit rate	7%	5%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25

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 or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>2</u>
Total	<u>6</u>

Contributions – Member contribution rates in TMRS are either 5%, 6% or 7% of the Member’s total compensation, and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the 2021 fiscal year and 5% during the previous year. The contribution rates for the City were 2.46% and 1.69% in calendar years 2020 and 2021, respectively. The City’s contributions to TMRS for the year ended September 30, 2021 were \$2,218, and were equal to the required contributions.

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Texas Municipal Retirement System Plan – continued

Net Pension Liability – The City’s Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

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

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

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

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Texas Municipal Retirement System Plan – continued

Actuarial assumptions – continued:

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	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%
Total	<u>100.00%</u>	

Discount rate:

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

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Texas Municipal Retirement System Plan – continued

Changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	\$ 202,860	\$ 220,151	\$ (17,291)
Changes for the year:			
Service cost	\$ 7,388	\$ -	\$ 7,388
Interest	13,524	-	13,524
Change of benefit terms	-	-	-
Difference between expected and actual experience	10,011	-	10,011
Changes of assumptions	-	-	-
Contributions - employer	-	2,473	(2,473)
Contributions - employee	-	5,026	(5,026)
Net investment income	-	16,718	(16,718)
Benefit payments, including refunds of employee contributions	(12,387)	(12,387)	-
Administrative expense	-	(108)	108
Other changes	-	(4)	4
Net changes	18,536	11,718	6,818
Balance at 12/31/2020	\$ 221,396	\$ 231,869	\$ (10,473)

Sensitivity of the net pension liability to changes in the discount rate:

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

	1% Decrease in Discount Rate 5.75%	Current Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability (asset)	\$ 11,258	\$ (10,473)	\$ (29,076)

Pension plan fiduciary net position:

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

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Texas Municipal Retirement System Plan – continued

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended September 30, 2021, the City recognized pension income of \$3,243.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,018	\$ -
Changes in actuarial assumptions and other inputs	(510)	-
Difference between projected and actual investment earnings	-	12,541
Contributions subsequent to the measurement date	4,228	-
Total	\$ 6,736	\$ 12,541

The amount of \$4,228 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2021	\$ 728
2022	2,586
2023	(3,823)
2024	(339)
2025	-
Thereafter	-
Total	\$ (848)

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Postemployment Benefits Other Than Pensions (OPEB): Supplemental Death Benefits Fund

Plan Description – The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected by ordinance to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits Provided – The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

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 or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>2</u>
Total	<u>4</u>

Contributions – 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 employees' entire careers.

The SDBF contribution rates for the City were 0.19% and 0.23% in calendar years 2020 and 2021, respectively.

Schedule of contributions:

Plan Year	2021	2020
Total SDB Contribution (Rate)	.23%	.19%
Retiree Portion of SDB Contribution (Rate)	.16%	.06%

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

(OPEB): Supplemental Death Benefits Fund - continued

Actuarial assumptions:

Summary of actuarial assumptions:	
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate*	2.00%
Retirees' share of benefit-related costs	\$0.00
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Changes in the OPEB liability:

	<u>Total OPEB Liability</u>
Balance at 12/31/2019	<u>\$ 7,314</u>
Changes for the year:	
Service cost	\$ 362
Interest	205
Change of benefit terms	-
Difference between expected and actual experience	826
Changes of assumptions	1,479
Benefit payments	<u>(60)</u>
Net changes	<u>2,812</u>
Balance at 12/31/2020	<u><u>\$ 10,126</u></u>

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

(OPEB): Supplemental Death Benefits Fund - continued

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

	1% Decrease in Discount Rate 1.00%	Current Rate Assumption 2.00%	1% Increase in Discount Rate 3.00%
City's net pension liability (asset)	\$ 12,634	\$ 10,126	\$ 8,222

OPEB expense:

	OPEB Expense
Service cost	\$ 362
Interest	205
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	288
Changes of assumptions	691
Total OPEB expense	\$ 1,546

Deferred outflows of resources and deferred inflows of resources related to OPEB:

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 756	\$ -
Changes in actuarial assumptions and other inputs	1,639	-
Contributions subsequent to the measurement date	576	-
Total	\$ 2,971	\$ -

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

(OPEB): Supplemental Death Benefits Fund - continued

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

<u>Year ended December 31:</u>	
2021	\$ 979
2022	822
2023	529
2024	65
2025	-
Thereafter	<u>-</u>
Total	<u><u>\$ 2,395</u></u>

Accounting Standards

The GASB has issued the following Statement(s) which were implemented during the current fiscal year as shown below:

GASB Statement No. 84, *“Fiduciary Activities.”* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. All applicable provisions have been included in the City’s financial statements as of September 30, 2021.

GASB Statement No. 90, *“Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.”* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. All applicable provisions have been included in the City’s financial statements as of September 30, 2021.

GASB Statement No. 93 – *“Replacement of Interbank Offered Rates.”* The primary objectives of this Statement are to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”). The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. All applicable provisions have been included in the City’s financial statements as of September 30, 2021.

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Accounting Standards – continued

The GASB has issued the following Statements which will become effective in future years as shown below:

GASB Statement No. 87, *“Leases.”* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 94 – *“Public-Private and Public-Public Partnerships and Availability Payment Arrangements.”* The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (“PPPs”). The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 89, *“Accounting for Interest Cost Incurred before the End of a Construction Period.”* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 91, *“Conduit Debt Obligations.”* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 92 – *“Omnibus 2020.”* The primary 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 Statement will become effective for fiscal years beginning after June 15, 2021. Management has not yet determined the impact of this Statement on its financial statements.

CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Accounting Standards – continued

GASB Statement No. 93 – *“Replacement of Interbank Offered Rates.”* The primary objectives of this Statement are to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”). The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 96 – *“Subscription-Based Information Technology Arrangements.”* The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users. The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 98 – *“The Annual Comprehensive Financial Report.”* This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 97 – *“Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.”* The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement has various effective dates and will become fully effective for reporting periods beginning after June 15, 2021. Management has not yet determined the impact of this Statement on its financial statements.

**CITY OF MOUNT ENTERPRISE TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

OMB Circular A-133 – State of Texas Single Audit Circular

The City did not expend \$750,000 or more in federal or state awards during 2021. As a result, a Single Audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular was not required for the year ended September 30, 2021.

Subsequent Events

Management has evaluated subsequent events through April 25, 2022, which is the date the financial statements were made available to management.

Required Supplementary Information

**CITY OF MOUNT ENTERPRISE TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		(UNFAVORABLE)
REVENUES				
Taxes:				
Sales	\$ 184,007	\$ 184,007	\$ 267,080	\$ 83,073
Franchise	28,974	28,974	28,386	(588)
Fines and forfeitures	148,287	148,287	114,465	(33,822)
Sanitation services	-	-	6,582	6,582
Interest income	104	104	201	97
Grant	-	-	78,162	78,162
Miscellaneous	4,899	4,899	2,676	(2,223)
Total revenues	<u>366,271</u>	<u>366,271</u>	<u>497,552</u>	<u>131,281</u>
EXPENDITURES				
Administration	146,032	146,032	112,421	33,611
Municipal court	75,600	75,600	84,950	(9,350)
Police department	106,025	106,025	106,645	(620)
Highways and streets	41,800	41,800	16,093	25,707
Parks and recreation	7,210	7,210	3,793	3,417
Capital outlay	22,200	22,200	60,077	(37,877)
Total expenditures	<u>398,867</u>	<u>398,867</u>	<u>383,979</u>	<u>14,888</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,596)</u>	<u>(32,596)</u>	<u>113,573</u>	<u>146,169</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	32,642	32,642	-	(32,642)
Operating transfers to other funds	-	-	(25,000)	(25,000)
Loan proceeds for capital purchases	-	-	40,461	40,461
Total other financing sources	<u>32,642</u>	<u>32,642</u>	<u>15,461</u>	<u>(17,181)</u>
Excess (deficiency) of revenues & other sources over expenditures & other (uses)	<u>\$ 46</u>	<u>\$ 46</u>	129,034	<u>\$ 128,988</u>
Fund balance - beginning of year			<u>177,318</u>	
Fund balance - end of year			<u>\$ 306,352</u>	

The notes to the financial statements are an integral part of this statement.

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 7,388	\$ 3,539	\$ 6,450	\$ 6,935	\$ 8,049	\$ 7,053	\$ 6,317
Interest (on the total pension liability)	13,524	13,873	13,447	12,984	12,015	10,925	9,727
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	10,011	(12,784)	253	(3,010)	(1,534)	(2,197)	699
Change of assumptions	-	672	-	-	-	5,648	-
Benefit payments, including refunds of employee contributions	(12,387)	(12,387)	(12,387)	(7,226)	-	-	-
Net change in total pension liability	18,536	(7,087)	7,763	9,683	18,530	21,429	16,743
Total pension liability - beginning	202,860	209,947	202,184	192,501	173,971	152,542	135,799
Total pension liability - ending (a)	\$ 221,396	\$ 202,860	\$ 209,947	\$ 202,184	\$ 192,501	\$ 173,971	\$ 152,542
Plan fiduciary net position							
Contributions - employer	\$ 2,473	\$ 943	\$ 2,749	\$ 2,814	\$ 2,181	\$ 2,587	\$ 4,125
Contributions - employee	5,026	2,468	4,757	4,877	5,652	5,194	5,902
Net investment income	16,718	30,730	(6,294)	25,533	11,173	232	7,976
Benefit payments, including refunds of employee contributions	(12,387)	(12,387)	(12,387)	(7,226)	-	-	-
Administrative expense	(108)	(173)	(122)	(132)	(126)	(142)	(83)
Other	(4)	(6)	(6)	(6)	(7)	(7)	(7)
Net change in plan fiduciary net position	11,718	21,575	(11,303)	25,860	18,873	7,864	17,913
Plan fiduciary net position - beginning	220,151	198,576	209,879	184,019	165,146	157,282	139,369
Plan fiduciary net position - ending (b)	\$ 231,869	\$ 220,151	\$ 198,576	\$ 209,879	\$ 184,019	\$ 165,146	\$ 157,282
Net pension liability - ending [(a) - (b)]	\$ (10,473)	\$ (17,291)	\$ 11,371	\$ (7,695)	\$ 8,482	\$ 8,825	\$ (4,740)
Plan fiduciary net position as a percentage of total pension liability	104.73%	108.52%	94.58%	103.81%	95.59%	94.93%	103.11%
Covered employee payroll	\$ 100,518	\$ 49,360	\$ 95,137	\$ 97,544	\$ 113,043	\$ 103,877	\$ 118,038
Net pension liability as a percentage of covered employee payroll	(10.42%)	(35.03%)	11.95%	(7.89%)	7.50%	8.50%	(4.02%)

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)**

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ (10,473)	\$ (17,291)	\$ 11,371	\$ (7,695)	\$ 8,482	\$ 8,825	\$ 4,125
Contributions in relation to the actuarially determined contribution	7,499	3,411	7,506	7,691	7,833	7,781	4,125
Contribution deficiency (excess)	<u>(17,972)</u>	<u>(20,702)</u>	<u>3,865</u>	<u>(15,386)</u>	<u>649</u>	<u>1,044</u>	<u>-</u>
Covered employee payroll	100,518	49,360	95,137	97,544	113,043	103,877	118,038
Contributions as a percentage of covered employee payroll	7.46%	6.91%	7.89%	7.88%	6.93%	7.49%	3.49%

NOTES TO THE 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	3.50% to 11.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other information:	
Notes	There were no benefit changes during the year.

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS FUND
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 362	\$ 109	\$ 171	\$ 146
Interest (on the total OPEB liability)	205	203	186	183
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	826	380	(82)	-
Change of assumptions	1,479	1,215	(376)	422
Benefit payments	<u>(60)</u>	<u>(15)</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	2,812	1,892	(101)	751
Total OPEB liability - beginning	<u>7,314</u>	<u>5,422</u>	<u>5,523</u>	<u>4,772</u>
Total OPEB liability - ending	<u><u>\$ 10,126</u></u>	<u><u>\$ 7,314</u></u>	<u><u>\$ 5,422</u></u>	<u><u>\$ 5,523</u></u>
Covered employee payroll	\$ 100,518	\$ 49,360	\$ 95,137	\$ 97,544
Total OPEB liability as a percentage of covered employee payroll	10.07%	14.82%	5.70%	(5.66%)

Compliance and Internal Control



DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of City Council
City of Mount Enterprise, 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, each major fund, and the aggregate remaining fund information of the City of Mount Enterprise, Texas (City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued our report thereon dated April 26, 2022.

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

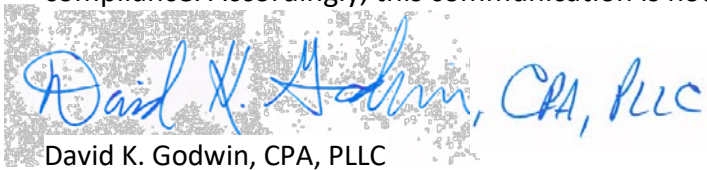
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



David K. Godwin, CPA, PLLC

Tyler, Texas
April 26, 2022
