

CITY OF ALEDO, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED
SEPTEMBER 30, 2021

**CITY OF ALEDO, TEXAS
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YEAR ENDED SEPTEMBER 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and members
of the City Council
City of Aledo, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Aledo, Texas (the City) 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. 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, and each major fund of the City as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity 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, budgetary comparison information, Texas Municipal Retirement System pension schedules, and Texas Municipal Retirement System OPEB schedules on pages 4 through 9 and 48 through 52 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.

A handwritten signature in cursive script that reads "Boucher, Morgan & Young". The signature is written in black ink and is positioned in the lower-left quadrant of the page.

Granbury, Texas
April 20, 2023

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

City of Aledo, Texas
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2021

Management's discussion and analysis (MD&A) of the City of Aledo's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2021. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded liabilities at the close of the 2021 fiscal year by \$31,625,503. Of this amount, \$8,785,060 is restricted for specific purposes and \$7,914,473 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. As required by GASB Statement No. 34, net position also reflects \$14,925,970 that is the net investment in capital assets.

In contrast to the government-wide statements, the governmental fund statements report combined fund balances at year end of \$6,799,216, of which \$1,183,357 represents restricted fund balance for Economic Development. The General Fund unassigned fund balance is \$5,568,429.

On page 36, the City's debt for certificates of obligation in the business-type activities decreased by \$607,382. The decrease is due to paying the principal portion of scheduled annual debt service payments due in fiscal year 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private sector business. They present the financial picture of the City from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the City (excluding infrastructure purchased or donated prior to October 1, 2003) as well as all liabilities. Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regard to interfund activity, payables, and receivables.

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

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

City of Aledo, Texas
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2021

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include Administration, Public Works, City Streets, Municipal Court, Parks and Recreation, and the Community Center. Appropriations with a contract are made to the East Parker County Library and the Parker County Sheriff's Office. The business-type activity of the City is Water and Sewer Operations and contracting for solid waste services. All governmental and business-type activities included in the government-wide financial statements are functions of the City (known as the primary government). The government-wide financial statements can be found on pages 11 and 12 of this report.

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

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

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

The City maintains three governmental funds, the general fund, the economic development corporation fund, and the grant fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the economic development corporation fund, and the grant fund.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement (original versus final) has been provided in this report to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 14 through 17 of this report.

Proprietary funds - Proprietary funds can be further classified into two different types of funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City allocates costs directly to the operating departments and accordingly does not account or report any internal service funds.

City of Aledo, Texas
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2021

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 18 through 22 of this report.

Notes to the basic financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 46 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning pension and OPEB benefits. The required supplementary information can be found starting on page 48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$31,625,503 as of September 30, 2021.

Net Position
September 30, 2021

	Governmental Activities		Business-type Activities		Total	
	FY 2020-21	FY 2019-20	FY 2020-21	FY 2019-20	FY 2020-21	FY 2019-20
Current and Other Assets	\$ 8,110,860	\$ 6,126,031	\$ 10,933,725	\$ 10,175,339	\$ 19,044,585	\$ 16,301,370
Capital Assets	8,723,422	9,203,188	21,666,433	21,606,548	30,389,855	30,809,736
Total Assets	<u>16,834,282</u>	<u>15,329,219</u>	<u>32,600,158</u>	<u>31,781,887</u>	<u>49,434,440</u>	<u>47,111,106</u>
Deferred Outflows of Resources	40,777	47,974	585,158	623,173	625,935	671,147
Long-term Liabilities Outstanding	170,327	159,020	15,645,735	16,241,045	15,816,062	16,400,065
Other Liabilities	734,182	283,647	1,257,510	575,292	1,991,692	858,939
Total Liabilities	<u>904,509</u>	<u>442,667</u>	<u>16,903,245</u>	<u>16,816,337</u>	<u>17,807,754</u>	<u>17,259,004</u>
Deferred Inflows of Resources	627,118	28,453	-	30,378	627,118	58,831
Net Position:						
Net investment in capital assets	8,723,422	9,203,188	6,202,548	5,535,281	14,925,970	14,738,469
Restricted for:						
Economic Development	1,183,357	930,474	-	-	1,183,357	930,474
Capital improvements	39,336	-	6,931,884	7,181,008	6,971,220	7,181,008
Public Safety	8,094	7,395	-	-	8,094	7,395
Debt Service	-	-	622,389	495,145	622,389	495,145
Unrestricted	5,389,223	4,765,016	2,525,250	2,346,911	7,914,473	7,111,927
Total Net Position	<u>\$ 15,343,432</u>	<u>\$ 14,906,073</u>	<u>\$ 16,282,071</u>	<u>\$ 15,558,345</u>	<u>\$ 31,625,503</u>	<u>\$ 30,464,418</u>

A large portion of the City's net position (47.2%) reflects its investment in capital assets (land, building, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses those assets to provide services to the 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 used to liquidate these liabilities. An additional \$8,785,060 or 27.8% of the City's net position represents resources that are subject to external restrictions on how they may be used. All restricted assets of the City are being held for capital improvements, debt service requirements on the City's outstanding debt, and economic development. The remaining portion of the City's net position (\$7,914,473, or 25.0%) may be used to meet the City's ongoing obligations to citizens and creditors.

City of Aledo, Texas
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2021

Changes in Net Position
September 30, 2021

	Governmental Activities		Business-type Activities		Total	
	FY 2020-21	FY 2019-20	FY 2020-21	FY 2019-20	FY 2020-21	FY 2019-20
Revenue						
Program revenue						
Fines, fees, and charges for services	\$ 916,051	\$ 577,263	\$ 2,953,106	\$ 3,016,180	\$ 3,869,157	\$ 3,593,443
Operating grants and contributions	48,772	45,155	-	-	48,772	45,155
Capital grants and contributions	27,419	55,095	397,842	395,990	425,261	451,085
General revenue						
Property taxes	1,781,090	1,651,516	-	-	1,781,090	1,651,516
Sales taxes	1,424,252	1,180,851	-	-	1,424,252	1,180,851
Franchise taxes	309,686	357,188	-	-	309,686	357,188
Interest on investments	4,093	39,887	5,277	52,569	9,370	92,456
Disposal of capital assets	(49,683)	-	-	-	(49,683)	-
Miscellaneous	28,436	57,295	-	-	28,436	57,295
Total revenues	<u>4,490,116</u>	<u>3,964,250</u>	<u>3,356,225</u>	<u>3,464,739</u>	<u>7,846,341</u>	<u>7,428,989</u>
Expense						
Administration	1,606,199	960,423	-	-	1,606,199	960,423
Public works and city streets	1,759,264	1,204,638	-	-	1,759,264	1,204,638
Municipal court	4,841	7,030	-	-	4,841	7,030
Parks and recreation	324,957	292,126	-	-	324,957	292,126
Community center	28,824	34,544	-	-	28,824	34,544
Water and Sewer	-	-	2,961,171	3,096,455	2,961,171	3,096,455
Total expenses	<u>3,724,085</u>	<u>2,498,761</u>	<u>2,961,171</u>	<u>3,096,455</u>	<u>6,685,256</u>	<u>5,595,216</u>
Change in Net Position Before Transfers	766,031	1,465,489	395,054	368,284	1,161,085	1,833,773
Transfers	(328,672)	(329,470)	328,672	329,470	-	-
Change in Net Position	<u>437,359</u>	<u>1,136,019</u>	<u>723,726</u>	<u>697,754</u>	<u>1,161,085</u>	<u>1,833,773</u>
Net Position, beginning of year	<u>14,906,073</u>	<u>13,770,054</u>	<u>15,558,345</u>	<u>14,860,591</u>	<u>30,464,418</u>	<u>28,630,645</u>
Net Position, end of year	<u>\$ 15,343,432</u>	<u>\$ 14,906,073</u>	<u>\$ 16,282,071</u>	<u>\$ 15,558,345</u>	<u>\$ 31,625,503</u>	<u>\$ 30,464,418</u>

In total, the City's total net position increased by \$1,161,085 during the current fiscal year. The City's governmental activities including transfers increased net position by \$437,359. The total cost of all governmental activities this year was \$3,724,085. The amount that taxpayers paid for these activities through property taxes was \$1,781,090 or 39.7% of total revenue. The City's business-type activities increased net position by \$723,726. The total cost of all business-type activities for fiscal year 2021 was \$2,961,171.

Governmental activities – Governmental activities increased the City's net position by \$437,359. The key elements of this increase are as follows:

- Increase of property taxes of approximately \$129,574.
- Increase of sales taxes of approximately \$243,401.

Business-type activities – Business-type activities increased the City's net position by \$723,726. The key element of this increase was Charges of Services exceeding related expenses by \$395,054.

**City of Aledo, Texas
Management’s Discussion and Analysis
For the Fiscal Year Ended September 30, 2021**

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

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

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$6,799,216, an increase of \$942,775 from the prior year. Unassigned fund balance reported in the general fund of \$5,568,429, an increase of \$649,857 over the prior year, represents amounts available for spending at the City’s discretion. The key factor in this increase was savings through efficient operation of various City Departments as well as increases in property and sales taxes.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no significant adjustments made to the 2020 – 2021 General Fund annual budget during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: The City’s investments in total capital assets for its governmental and business-type activities as of September 30, 2021, amount to \$30,389,855 (net of accumulated depreciation). Investments in capital assets related to governmental activities of \$8,723,422, includes land and land rights, buildings and improvements, street reconstruction, other improvements, vehicles, and office furniture and equipment. The City’s investments in capital assets related to business-type activities of \$21,666,433, includes land and land rights, the water and sewer systems, vehicles and other equipment.

**City of Aledo, Texas
Capital Assets
September 30, 2021**

	Governmental Activities		Business-type Activities		Total	
	FY 2020-21	FY 2019-20	FY 2020-21	FY 2019-20	FY 2020-21	FY 2019-20
Land	\$ 569,625	\$ 494,625	\$ 419,604	\$ 334,604	\$ 989,229	\$ 829,229
Construction in Progress	373,645	273,968	1,371,704	1,233,878	1,745,349	1,507,846
Water and sewer system	-	-	29,019,820	28,418,612	29,019,820	28,418,612
Buildings and improvements	498,351	407,861	3,210	3,210	501,561	411,071
Street infrastructure	9,683,219	9,683,219	-	-	9,683,219	9,683,219
Vehicles	279,967	250,259	42,393	42,393	1,647,288	1,647,288
Machinery and equipment	205,866	205,866	322,159	322,159	602,126	572,418
Storm water drainage	1,604,895	1,604,895	-	-	205,866	205,866
Other improvements	876,540	876,540	-	-	876,540	876,540
Accumulated depreciation	(5,368,686)	(4,594,045)	(9,512,457)	(8,748,308)	(14,881,143)	(13,342,353)
Total	<u>\$ 8,723,422</u>	<u>\$ 9,203,188</u>	<u>\$ 21,666,433</u>	<u>\$ 21,606,548</u>	<u>\$ 30,389,855</u>	<u>\$ 30,809,736</u>

Additional information on the City’s capital assets can be found in Note IV of this report.

**City of Aledo, Texas
Management’s Discussion and Analysis
For the Fiscal Year Ended September 30, 2021**

Long-term debt - At the end of the current fiscal year, the City had total debt outstanding of \$15,463,885. In total, the City's long-term debt decreased by \$607,382 during the current fiscal year.

**City of Aledo, Texas
Long Term Debt
September 30, 2021**

	Business-type Activities	
	FY 2020-21	FY 2019-20
Certificates of Obligation	15,463,885	16,071,267
Total	15,463,885	16,071,267

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2020-21 was \$0.3481 per \$100 assessed valuation, of which \$0.06429396 was for annual water and sewer debt service. Additional information on the City's long-term debt can be found in Note V of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES – The annual budget is developed to provide efficient, effective and economic uses of the City’s resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities.

In considering the Fiscal Year 2022 budget, City Council and management considered the following factors:

- The FY2022 adopted property tax rate was \$0.3271470 per \$100 assessed valuation.
- The major expenditure categories, including debt service, were for
 - Increased expenditures for police services
 - City street improvements
 - Planning and engineering for Bailey Ranch Road
 - Planning and engineering for Clear Fork Project

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the City finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact the City Secretary at: 200 Old Annetta Road, Aledo TX 76008.

BASIC FINANCIAL STATEMENTS

CITY OF ALEDO, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and equivalents	\$ 7,724,890	\$ 6,192,598	\$ 13,917,488
Receivables:			
Property taxes, net of allowance	14,611	-	14,611
Sales taxes	267,283	-	267,283
Accounts, net of allowance	91,816	421,165	512,981
Other current assets	12,260	8,431	20,691
Restricted cash and equivalents	-	4,311,531	4,311,531
Capital assets (net of accumulated depreciation):			
Land	569,625	419,604	989,229
Construction in progress	373,645	1,371,704	1,745,349
Buildings and improvements	254,276	2,111	256,387
Motor vehicles	53,084	-	53,084
Machinery and equipment	51,338	26,324	77,662
Water and sewer system	-	19,846,690	19,846,690
City streets	5,596,753	-	5,596,753
Storm water drainage	1,360,179	-	1,360,179
Other improvements	464,522	-	464,522
Total Assets	<u>16,834,282</u>	<u>32,600,158</u>	<u>49,434,440</u>
DEFERRED OUTFLOWS:			
Deferred loss on refunding	-	541,621	541,621
Related to TMRS pension	33,855	36,147	70,002
Related to TMRS OPEB	6,922	7,390	14,312
Total Deferred Outflows	<u>40,777</u>	<u>585,158</u>	<u>625,935</u>
Total Assets and Deferred Outflows	<u>16,875,059</u>	<u>33,185,316</u>	<u>50,060,375</u>
LIABILITIES:			
Accounts payable	658,834	920,049	1,578,883
Accrued liabilities	75,348	59,021	134,369
Accrued interest	-	48,440	48,440
Customer deposits	-	230,000	230,000
Noncurrent liabilities-			
Bonds payable - due within one year	-	759,370	759,370
Bonds payable - due in more than one year	-	14,704,515	14,704,515
Net pension liability	137,741	147,060	284,801
OPEB liability	32,586	34,790	67,376
Total Liabilities	<u>904,509</u>	<u>16,903,245</u>	<u>17,807,754</u>
DEFERRED INFLOWS:			
Unearned revenues	627,118	-	627,118
Total Deferred Inflows	<u>627,118</u>	<u>-</u>	<u>627,118</u>
NET POSITION:			
Net investment in capital assets	8,723,422	6,202,548	14,925,970
Restricted For:			
Economic development	1,183,357	-	1,183,357
Child safety	1,289	-	1,289
Court security	2,805	-	2,805
Court technology	4,000	-	4,000
Infrastructure	39,336	-	39,336
System upgrade/expansion	-	6,931,884	6,931,884
Debt service	-	622,389	622,389
Unrestricted	5,389,223	2,525,250	7,914,473
Total Net Position	<u>\$ 15,343,432</u>	<u>\$ 16,282,071</u>	<u>\$ 31,625,503</u>

The accompanying notes are an integral part of this statement.

CITY OF ALEDO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fines, Fees, and Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Operating Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental Activities:				
Administration	\$ 1,606,199	\$ 627,070	\$ -	\$ 48,772
Public works	563,600	253,307	-	-
City streets	1,195,664	-	26,744	-
Municipal court	4,841	5,480	-	-
Parks and recreation	324,957	5,933	675	-
Community center	28,824	24,261	-	-
Total Governmental Activities	<u>3,724,085</u>	<u>916,051</u>	<u>27,419</u>	<u>48,772</u>
Business-type Activities:				
Water and Sewer	<u>2,961,171</u>	<u>2,953,106</u>	<u>397,842</u>	<u>-</u>
Total Business-type Activities	<u>2,961,171</u>	<u>2,953,106</u>	<u>397,842</u>	<u>-</u>
Total Primary Government	<u>\$ 6,685,256</u>	<u>\$ 3,869,157</u>	<u>\$ 425,261</u>	<u>\$ 48,772</u>

General Revenues:

Taxes:
Property
Sales
Franchise
Investment earnings
Miscellaneous revenues
Loss on disposal of capital assets
Transfers
Total general revenues and transfers
Change in net position
Net position - Beginning
Net position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (930,357)	\$ -	\$ (930,357)
(310,293)	-	(310,293)
(1,168,920)	-	(1,168,920)
639	-	639
(318,349)	-	(318,349)
(4,563)	-	(4,563)
<u>(2,731,843)</u>	<u>-</u>	<u>(2,731,843)</u>
-	389,777	389,777
-	389,777	389,777
<u>(2,731,843)</u>	<u>389,777</u>	<u>(2,342,066)</u>
1,781,090	-	1,781,090
1,424,252	-	1,424,252
309,686	-	309,686
4,093	5,277	9,370
28,436	-	28,436
(49,683)	-	(49,683)
(328,672)	328,672	0
<u>3,169,202</u>	<u>333,949</u>	<u>3,503,151</u>
<u>437,359</u>	<u>723,726</u>	<u>1,161,085</u>
14,906,073	15,558,345	30,464,418
<u>\$ 15,343,432</u>	<u>\$ 16,282,071</u>	<u>\$ 31,625,503</u>

The accompanying notes are an integral part of this statement.

CITY OF ALEDO, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	EDC	Grant Fund	Total Governmental Funds
ASSETS:				
Assets:				
Cash and equivalents	\$ 6,010,013	\$ 1,094,764	\$ 620,113	\$ 7,724,890
Receivables				
Property taxes, net of allowance of \$2,578	14,611	-	-	14,611
Sales taxes	178,190	89,093	-	267,283
Accounts	91,816	-	-	91,816
Due from other funds	-	-	36,829	36,829
Other current assets	12,260	-	-	12,260
Total Assets	<u>\$ 6,306,890</u>	<u>\$ 1,183,857</u>	<u>\$ 656,942</u>	<u>\$ 8,147,689</u>
LIABILITIES:				
Liabilities:				
Accounts payable	\$ 658,834	\$ -	\$ -	\$ 658,834
Accrued liabilities	12,242	-	-	12,242
Due to other funds	36,829	-	-	36,829
Total Liabilities	<u>707,905</u>	<u>-</u>	<u>-</u>	<u>707,905</u>
DEFERRED INFLOWS:				
Unavailable revenue - property taxes	13,450	-	-	13,450
Unearned revenue	9,012	500	617,606	627,118
Total Deferred Inflows	<u>\$ 22,462</u>	<u>\$ 500</u>	<u>\$ 617,606</u>	<u>\$ 640,568</u>
FUND BALANCE:				
Restricted Fund Balances:				
Economic Development	-	1,183,357	-	1,183,357
Child Safety	1,289	-	-	1,289
Court Security	2,805	-	-	2,805
Court Technology	4,000	-	-	4,000
Infrastructure	-	-	39,336	39,336
Unassigned	5,568,429	-	-	5,568,429
Total Fund Balance	<u>5,576,523</u>	<u>1,183,357</u>	<u>39,336</u>	<u>6,799,216</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 6,306,890</u>	<u>\$ 1,183,857</u>	<u>\$ 656,942</u>	<u>\$ 8,147,689</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet \$ 6,799,216

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not current financial resources and therefore are
not reported in the governmental funds balance sheet. 8,723,422

Revenues earned but not available within sixty days of the year end are not recognized as revenue
on the fund financial statements. 13,450

The statement of net position includes the City's proportionate share of the TMRS net pension
liability as well as certain pension related transactions accounted for as Deferred Inflows and
Outflows of resources.

Net pension liability	(137,741)	
Deferred retirement contributions	45,214	
Deferred investment experience	(13,546)	
Deferred assumption/input changes	3,671	
Deferred actual vs. assumption	(1,484)	(103,886)

The statement of net position includes the City's proportionate share of the TMRS OPEB liability
as well as certain OPEB related transactions accounted for as Deferred Inflows and Outflows of
resources.

OPEB liability	(32,586)	
Deferred retirement contributions	885	
Deferred assumption/input changes	5,741	
Deferred actual vs. assumption	296	(25,664)

Compensated absences are not due and payable in the current period and therefore are not
reported in the fund financial statements (63,106)

Net position of governmental activities \$ 15,343,432

The accompanying notes are an integral part of this statement.

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

	General Fund	EDC	Grant Fund	Total Governmental Funds
REVENUE				
Taxes:				
Property	\$ 1,778,584	\$ -	\$ -	\$ 1,778,584
Sales	950,650	473,602	-	1,424,252
Franchise	309,686	-	-	309,686
Building permits	627,070	-	-	627,070
Court fines and fees	5,480	-	-	5,480
Construction fees	253,307	-	-	253,307
Grant revenue	-	-	75,516	75,516
Interest income	3,837	194	62	4,093
Event revenue	5,933	-	-	5,933
Rental revenue	24,261	-	-	24,261
Other revenue	27,226	1,885	-	29,111
Total revenues	<u>3,986,034</u>	<u>475,681</u>	<u>75,578</u>	<u>4,537,293</u>
EXPENDITURES				
Current:				
Administration	1,509,205	21,479	6,280	1,536,964
Public works	516,131	-	-	516,131
City streets	254,748	-	-	254,748
Municipal court	4,841	-	-	4,841
Parks and recreation	236,286	37,367	-	273,653
Community center	18,414	-	-	18,414
Capital outlay	630,681	452	29,962	661,095
Total Expenditures	<u>3,170,306</u>	<u>59,298</u>	<u>36,242</u>	<u>3,265,846</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>815,728</u>	<u>416,383</u>	<u>39,336</u>	<u>1,271,447</u>
Other Financing Sources (Uses):				
Transfers in	163,500	-	-	163,500
Transfers out	<u>(328,672)</u>	<u>(163,500)</u>	<u>-</u>	<u>(492,172)</u>
Total Other Financing Sources (Uses)	<u>(165,172)</u>	<u>(163,500)</u>	<u>-</u>	<u>(328,672)</u>
Net Change in Fund Balances	<u>650,556</u>	<u>252,883</u>	<u>39,336</u>	<u>942,775</u>
Fund Balances - Beginning	4,925,967	930,474	-	5,856,441
Fund Balances - Ending	<u>\$ 5,576,523</u>	<u>\$ 1,183,357</u>	<u>\$ 39,336</u>	<u>\$ 6,799,216</u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$	942,775
Amounts reported for governmental activities in the Statement of Activities are different because:		
Depreciation expense on capital assets is reported in the statement of activities and does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(774,641)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives.		344,558
Governmental funds recognize all amounts received on the sale of capital assets as a gain. However, in the statement of activities, the gain or (loss) is offset by the remaining net book value of the asset.		(49,683)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.		2,506
Net pension liabilities as well as the related deferred inflows and outflows of resources generated from those assets are not payable from current resources and therefore, are not reported in the governmental funds. These balances increased (decreased) by this amount.		15,783
OPEB liabilities as well as the related deferred inflows and outflows of resources generated from those assets are not payable from current resources and therefore, are not reported in the governmental funds. These balances increased (decreased) by this amount.		(5,834)
Current year changes in compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		<u>(38,105)</u>
Change in net position of governmental activities	\$	<u>437,359</u>

The accompanying notes are an integral part of this statement.

CITY OF ALEDO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2021

	Enterprise Fund
	Water and Sewer Fund
ASSETS:	
Current Assets:	
Cash and equivalents	\$ 6,192,598
Receivables, net of allowance of \$41,043	421,165
Other current assets	8,431
Total Current Assets	6,622,194
Noncurrent Assets:	
Capital Assets:	
Land	419,604
Construction in progress	1,371,704
Buildings and improvements	3,210
Motor vehicles	42,393
Machinery and equipment	322,159
Water and sewer system	29,019,820
Less accumulated depreciation	(9,512,457)
Restricted cash and equivalents	4,311,531
Total Noncurrent Assets	25,977,964
Total Assets	32,600,158
DEFERRED OUTFLOWS:	
Deferred loss on refunding	541,621
Related to TMRS pension	36,147
Related to TMRS OPEB	7,390
Total Deferred Outflows	585,158
Total Assets and Deferred Outflows	33,185,316

The accompanying notes are an integral part of this statement.

CITY OF ALEDO, TEXAS
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUND
SEPTEMBER 30, 2021

	Enterprise Fund
	Water and Sewer Fund
LIABILITIES:	
Current Liabilities:	
Accounts payable	920,049
Accrued liabilities	59,021
Accrued interest	48,440
Customer deposits	230,000
Current portion of bonds payable	759,370
Total Current Liabilities	2,016,880
Noncurrent Liabilities:	
Net pension liability	147,060
OPEB liability	34,790
Bonds payable	14,704,515
Total Noncurrent Liabilities	14,886,365
Total Liabilities	16,903,245
 NET POSITION:	
Net investment in capital assets	6,202,548
Restricted - system upgrade/expansion	6,931,884
Restricted - debt service	622,389
Unrestricted	2,525,250
Total net position	\$ 16,282,071

The accompanying notes are an integral part of this statement.

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

	Enterprise Fund
	Water and Sewer Fund
OPERATING REVENUES:	
Water and sewer service	\$ 2,874,629
Credit card fees	19,734
Meter box fee	43,555
Other revenues	15,188
Total Operating Revenues	2,953,106
OPERATING EXPENSES:	
Administrative costs	530,773
Supplies and maintenance	837,759
Utilities	83,949
Professional and contract services	250,521
Credit card expense	30,879
Other operating expenses	35,493
Depreciation	764,149
Total Operating Expenses	2,533,523
Operating Income (loss)	419,583
NON-OPERATING REVENUES (EXPENSES)	
Impact fees	397,842
Interest income	5,277
Interest, amortization and fees paid on debt issuance	(427,648)
Total Non-operating Revenues (Expenses)	(24,529)
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Transfers in	328,672
Total Capital Contributions and Transfers	328,672
Change in Net Position	723,726
Net position - Beginning	15,558,345
Net Position - Ending	\$ 16,282,071

The accompanying notes are an integral part of this statement.

CITY OF ALEDO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2021

		<u>Enterprise Fund</u> <u>Water and Sewer</u> <u>Fund</u>	
Cash Flows from Operating Activities:			
Cash received from customers	\$ 3,057,886		
Cash paid to employees	(385,288)		
Cash paid to suppliers	(740,795)		
Net Cash Provided By Operating Activities		<u>1,931,803</u>	
Cash Flows from Non-capital Financing Activities:			
Transfers from other funds		328,672	
Net Cash Provided By Non-capital Financing Activities		<u>328,672</u>	
Cash Flows from Capital and Related Financing Activities:			
Principal repayment on debt		(570,000)	
Interest, amortization and fees paid on debt issuance		(433,112)	
Purchase of capital assets		(824,034)	
Impact fees		397,842	
Net Cash Used in Capital & Related Financing Activities		<u>(1,429,304)</u>	
Cash Flows from Investing Activities:			
Interest on investments		5,277	
Net Cash Provided By Investing Activities		<u>5,277</u>	
Net Increase (Decrease) in Cash and Cash Equivalents		836,448	
Cash and Cash Equivalents at Beginning of Year		<u>9,667,681</u>	
Cash and Cash Equivalents at End of Year		<u>\$ 10,504,129</u>	
Reconciliation of Cash and Cash Equivalents Per Statement of Cash Flows to the Statement of Net Position			
	Current	Restricted	Statement of
	Assets	Assets	Cash Flows
	<u>4,860,420</u>	<u>4,807,261</u>	<u>Totals</u>
Cash and Cash Equivalents - Beginning	4,860,420	4,807,261	9,667,681
Net increase (decrease)	<u>1,332,178</u>	<u>(495,730)</u>	<u>836,448</u>
Cash and Cash Equivalents - Ending	<u>6,192,598</u>	<u>4,311,531</u>	<u>10,504,129</u>

The accompanying notes are an integral part of this statement.

CITY OF ALEDO, TEXAS
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2021

Reconciliation of Operating Income to Net Cash

Provided By Operating Activities:

Operating Income	\$ 419,583
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation and amortization	764,149
Change in Assets and Liabilities:	
Decrease in receivables	73,485
Decrease in other current assets	4,577
Decrease in deferred outflows	4,163
Increase in accounts payable	657,468
Decrease in accrued expenses	(4,611)
Increase in customer deposits	31,295
Increase in net pension liability	4,980
Increase in OPEB liability	7,092
Decrease in deferred inflows	(30,378)
Total Adjustments	<u>1,512,220</u>
Net Cash Provided By Operating Activities	<u><u>\$ 1,931,803</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

I. Summary of Significant Accounting Policies

The City of Aledo, Texas (the City) was incorporated in 1963 and operates under a Council-City Manager form of government. The City provides: administration, public works and streets, water and sewer, municipal court, parks and recreation, and community center. The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. General accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units. The more significant accounting policies of the City are described below:

A. The Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of the fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government.

The following entity was found to be a component unit of the City and is included in the accompanying financial statements:

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

I. Summary of Significant Accounting Policies (continued)

A. The Reporting Entity (continued)

Aledo Economic Development Corporation – On May 10, 2008, the voters approved the creation of the Aledo Economic Development Corporation (EDC) for the purpose of projects and improvements that promote economic development within the City. Funding for the EDC is generated from 0.50% sales tax. The EDC’s governing body is substantially the same as the governing body of the City. There are seven directors appointed by City Council. At least three of the directors must not be employees, officers, or members of the City Council. The EDC is authorized to sell bonds or other forms of indebtedness. Upon dissolution, the assets of the EDC shall be distributed to the City. The EDC is reported as a governmental activity in the government-wide financial statements and as a Special Revenue Fund in the governmental fund financial statements.

Separate financial statements of this component have not been prepared.

B. Basis of Presentation

Government-wide Statements:

The statement of net position and the statement of activities include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. There were no other funds to be aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The City reports the following major Governmental funds:

The ***General Fund*** is the City's primary operating fund. This fund is used to account for all financial resources not reported in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The ***Economic Development Corporation Fund*** collects sales tax for the purpose of the promotion and development of new and expanded business enterprises and to provide and encourage employment in the furtherance of the public welfare. All EDC activity is accounted for in this fund.

The ***Grant Fund*** is used for the receipt and expenditure of federal, state, and local grants in accordance with their stated purpose.

The City reports the following major Enterprise fund:

The ***Water and Sewer Fund*** reports for revenues and expenses associated with water and sewer services for the citizens of the City. Activities of the fund include administration, operations, and maintenance of the water, sewer and sanitation system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for enterprise debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

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

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

I. Summary of Significant Accounting Policies (continued)

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

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, interest revenue, charges for services, franchise taxes and sales tax revenues are susceptible to accrual. Fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Budgetary Control

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for general fund. The appropriated budget is prepared by fund and department. The budget, as formally adopted by the City Council, establishes the maximum authorization of operating funds to be expended by any fund. Any subsequent amendment thereto must be approved by the Council. The legal level of budget control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The City is not legally required to adopt a budget for the economic development corporation fund or the grant fund. Therefore, budget comparison information is not included in the City's financial statements.

E. Cash and Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have an original maturity of three months or less when purchased.

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

I. Summary of Significant Accounting Policies (continued)

F. Capital Assets

Capital assets purchased or constructed are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other capital assets.

Capital assets are defined by the City as assets with an initial individual cost of \$3,000 or more and an estimated useful life in excess of one year. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and improvements	15 – 30 years
Motor vehicles	3 – 15 years
Machinery and equipment	3 – 15 years
Water and sewer system	5 – 40 years
City streets	15 years
Storm water drainage	40 years
Other improvements	3 – 15 years

G. Accrued Compensated Absences

The City Council has adopted a policy whereby employees are paid lump sum payments for unused vacation and sick time if they leave City employment. Upon termination, up to 20 days of vacation and a portion of sick leave (maximum of 50 hours) if the employee meets the prescribed conditions for each.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. An example is a deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. An example is unavailable revenue resulting from property taxes which is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

I. Summary of Significant Accounting Policies (continued)

I. Pensions

For purposes of measuring the net pension 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. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS' consulting agency, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Pension liabilities are generally liquidated with resources of the general fund and enterprise fund.

J. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the City's actuary report. For this purpose, OPEB expense recognized each fiscal year is equal to the employer's yearly contributions for retirees. Information regarding the City's OPEB liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

OPEB liabilities are generally liquidated with resources of the general fund and enterprise fund.

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

II. Summary of Significant Accounting Policies (continued)

K. Fund Balance and Net Position

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in the spendable form or (b) are legally or contractually required to be maintained intact. Non spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

In circumstances where 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 extended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. In circumstances where an expense is to be made for a purpose for which amounts are available in multiple net position classifications, restricted position will be fully utilized first followed by unrestricted as necessary.

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

I. Summary of Significant Accounting Policies (continued)

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Deposits and Short-Term Investments

Cash and investments as of September 30, 2021 consist of the following:

	<u>Cash Deposits</u>	<u>TexStar</u>
Governmental activities:		
General fund	4,069,779	1,940,107
Economic development corporation	841,305	253,459
Grant fund	620,240	-
Business-type activity:		
Water and sewer fund	<u>5,766,891</u>	<u>4,737,238</u>
Total	<u>\$ 11,298,215</u>	<u>\$ 6,930,804</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 30 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2021, the City had investments in TexStar totaling \$6,930,804 which had a weighted average maturity of 35 days.

As of September 30, 2021, the City was not invested in any securities which are highly sensitive to interest rate fluctuation.

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

II. Deposits and Short-Term Investments (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, is AAA. The actual rating as of September 30, 2021 for TexStar was AAAM.

Concentration of Credit Risk

In accordance with the City's Investment policy, the City limits their exposure of concentration of credit risk by restricting investments in the following investment instruments:

	<u>Maximum Percentage of Portfolio</u>
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities of Government-Sponsored Corporations	80%
Authorized Local Government Investment Pools	100%
Fully Collateralized Certificates of Deposit	50%
Fully Collateralized Repurchase Agreements	10%
SEC-Regulated No-Load Money Market Mutual Funds	50%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transactions, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times. At September 30, 2021, the carrying amount of the City's cash on hand and deposits were \$11,298,215 and the bank balance was \$11,460,427. \$250,000 of the bank balance was covered by depository insurance under the Federal Depository Insurance Corporation (FDIC insured), with the remaining balance secured with securities held by pledging financial institutions.

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

III. Deposits and Short-Term Investments (continued)

Investment in State Investment Pools

The City is a voluntary participant in the TexStar external investment pool. The State Comptroller of Public Accounts exercises responsibility over TexStar. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexStar and other persons who do not have a business relationship with TexStar. TexStar uses net asset value rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexStar is the same as the value of TexStar shares. The City, at its option, can withdraw funds within a twenty-four hour period from TexStar.

III. Property Taxes

Taxes assessed on valuations as of January 1 each year are levied during the subsequent fiscal year beginning October 1. Property taxes attach as an enforceable lien on property at the time levied. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and when they are expected to be collected during a 60 day period after the close of the fiscal year. The City has its property taxes collected by the Parker County Tax Assessor/Collector. Property taxes that are deemed uncollectible are presented as a reserve against revenues and property taxes receivable.

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

IV. Capital Assets

Capital assets activity for the year ended September 30, 2021, is as follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 494,625	\$ 75,000	\$ -	\$ 569,625
Construction in progress	273,968	149,360	(49,683)	373,645
Total assets not being depreciated	<u>768,593</u>	<u>224,360</u>	<u>(49,683)</u>	<u>943,270</u>
Capital assets, being depreciated:				
Buildings and improvements	407,861	90,490	-	498,351
City streets	9,683,219	-	-	9,683,219
Storm water drainage	1,604,895	-	-	1,604,895
Motor vehicles	250,259	29,708	-	279,967
Machinery and equipment	205,866	-	-	205,866
Other improvements	876,540	-	-	876,540
Total capital assets being depreciated	<u>13,028,640</u>	<u>120,198</u>	<u>-</u>	<u>13,148,838</u>
Accumulated depreciation:				
Buildings and improvements	211,976	32,099	-	244,075
City streets	3,461,837	624,629	-	4,086,466
Storm water drainage	204,643	40,073	-	244,716
Motor vehicles	209,053	17,830	-	226,883
Machinery and equipment	144,826	9,702	-	154,528
Other improvements	361,710	50,308	-	412,018
Total accumulated depreciation	<u>4,594,045</u>	<u>774,641</u>	<u>-</u>	<u>5,368,686</u>
Total capital assets being depreciated, net	<u>8,434,595</u>	<u>(654,443)</u>	<u>-</u>	<u>7,780,152</u>
Governmental activities capital assets, net	<u>\$ 9,203,188</u>	<u>\$ (430,083)</u>	<u>\$ (49,683)</u>	<u>\$ 8,723,422</u>

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

IV. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 334,604	\$ 85,000	\$ -	\$ 419,604
Construction in process	1,233,878	137,826	-	1,371,704
Total assets not being depreciated	<u>1,568,482</u>	<u>222,826</u>	<u>-</u>	<u>1,791,308</u>
Capital assets, being depreciated:				
Water and sewer system	28,418,612	601,208	-	29,019,820
Buildings and improvements	3,210	-	-	3,210
Motor vehicles	42,393	-	-	42,393
Machinery and equipment	322,159	-	-	322,159
Total capital assets being depreciated	<u>28,786,374</u>	<u>601,208</u>	<u>-</u>	<u>29,387,582</u>
Accumulated depreciation:				
Water and sewer system	8,432,635	740,495	-	9,173,130
Buildings and improvements	992	107	-	1,099
Motor vehicles	42,393	-	-	42,393
Machinery and equipment	272,288	23,547	-	295,835
Total accumulated depreciation	<u>8,748,308</u>	<u>764,149</u>	<u>-</u>	<u>9,512,457</u>
Total capital assets being depreciated, net	<u>20,038,066</u>	<u>(162,941)</u>	<u>-</u>	<u>19,875,125</u>
Business-type activities capital assets, net	<u>\$ 21,606,548</u>	<u>\$ 59,885</u>	<u>\$ -</u>	<u>\$ 21,666,433</u>

Depreciation was charged to departments of the government as follows:

Governmental Activities:	
Administration	\$ 50,137
Public Works	39,157
City Streets	624,629
Parks and Recreation	50,308
Community Center	10,410
Total depreciation expense - governmental activities	<u>\$ 774,641</u>
Business-type Activities:	
Water	\$ 350,568
Sewer	413,581
Total depreciation expense - business-type activities	<u>\$ 764,149</u>

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

V. Long-term Debt

At September 30, 2021, the City's bonds payable consisted of the following:

	<u>Business-Type</u>
2012 Revenue Certificates of Obligation due in annual installments through 2042, bearing interest at a rate ranging between 0.3 - 4.45%	1,495,000
2017 General Obligation Refunding Bonds due in annual installments through 2042, bearing interest at a rate ranging between 2 - 4%	7,810,000
2020 General Obligation Refunding Bonds due in annual installments through 2038, bearing interest at a rate of 3%	1,205,000
2020 Revenue Certificates of Obligation due in annual installments through 2051, bearing interest at a rate ranging between 0.0 - 0.34%	<u>4,230,000</u>
	<u><u>\$ 14,740,000</u></u>

The following is a summary of all long-term debt transactions of the City for the year ended September 30, 2021:

Description	Beginning Balance 10/1/2020	Increases	Decreases	Ending Balance 9/30/2021	Due within one year
Business-type activities					
Bonds payable	\$ 15,310,000	\$ -	\$ 570,000	\$ 14,740,000	\$ 715,000
Premium on bonds payable	761,267	-	37,382	723,885	44,370
Business-type activities long-term liabilities	<u>\$ 16,071,267</u>	<u>\$ -</u>	<u>\$ 607,382</u>	<u>\$ 15,463,885</u>	<u>\$ 759,370</u>

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

V. Long-term Debt (continued)

The annual requirements to amortize all bonds payable outstanding as of September 30, 2021 are as follows:

Certificates of Obligation Due Fiscal Year Ending September 30	Business-Type Activities	
	Principal	Interest
2022	190,000	63,621
2023	190,000	62,271
2024	190,000	60,821
2025	195,000	59,271
2026	195,000	57,483
2027-2031	1,005,000	257,405
2032-2036	1,070,000	193,483
2037-2041	1,155,000	107,713
2042-2046	810,000	22,462
2047-2051	725,000	7,250
Total	\$ 5,725,000	\$ 891,777

General Obligation Refunding Bonds Due Fiscal Year Ending September 30	Business-Type Activities	
	Principal	Interest
2022	569,370	323,900
2023	584,370	308,150
2024	594,370	291,950
2025	609,370	275,450
2026	624,370	258,500
2027-2031	2,316,850	1,008,150
2032-2036	1,921,850	680,350
2037-2041	2,158,335	329,200
2042-2046	360,000	14,400
Total	\$ 9,738,885	\$ 3,490,050

VI. Pension Plan

Plan Description

The City of Aledo participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the 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 Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com

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

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

VI. Pension 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. 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:

Employee deposit rate	7.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Updated service credit	50% repeating
Annuity increase (to retirees)	70% of CPI, repeating
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20

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

Inactive employees of beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	17
Active employees	14
	40
	40

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of 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 benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Aledo were required to contribute 7% of the annual gross earnings during the fiscal year. The contribution rates for the City of Aledo were 13.10% and 13.79% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$116,381, and were equal to the required contributions.

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

VI. Pension Plan (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

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

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	\$ 1,330,144	\$ 1,054,987	\$ 275,157
Changes for the year:			
Service cost	127,981	-	127,981
Interest	92,955	-	92,955
Changes in current period benefits	-	-	-
Difference between expected and actual experience	17,302	-	17,302
Changes in assumptions	-	-	-
Contributions - employer	-	97,531	(97,531)
Contributions - employee	-	52,116	(52,116)
Net investment income	-	79,486	(79,486)
Benefit payment, including refunds of employee contributions	(34,053)	(34,053)	-
Administrative expense	-	(518)	518
Other changes	-	(21)	21
Net changes	\$ 204,185	\$ 194,541	\$ 9,644
Balance at 12/31/2020	\$ 1,534,329	\$ 1,249,528	\$ 284,801

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

VI. Pension Plan (continued)

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

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

	1% Decrease (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
City's net pension liability	\$ 528,911	\$ 284,801	\$ 86,384

Pension Plan Fiduciary Net Position

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

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 expense of \$87,385.

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	\$ -	\$ 3,068
Changes in actuarial assumptions	7,591	-
Difference between projected and actual investment earnings	-	28,008
Contributions subsequent to the measurement date	93,487	-
Total	\$ 101,078	\$ 31,076

\$101,078 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, 2022. 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	\$ (13,150)
2022	7,649
2023	(16,330)
2024	(1,654)
2025	-
Thereafter	-

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

VII. Postemployment Benefits Other than Pensions

Plan Description

The City participates in a single employer, defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan.

The City elected, by ordinance, to provide group-term life insurance coverage to both current and retirement employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The City 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 the employees' entire careers.

Benefits

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). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500.

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 of beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>14</u>
	<u><u>26</u></u>

OPEB Liability

The City's OPEB liability of \$67,376 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

VII. Postemployment Benefits Other than Pensions (continued)

Actuarial Assumptions

The OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5% including inflation
Discount rate	2.00%

Salary increases were based on a service related table. Mortality rates for pre-retirement were 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 and based on the size of the City, rates are multiplied by an additional factor of 98%. 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 may become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Discount Rate

The discount rate used to measure the OPEB liability was 2.00%. The discount rate was based on an index of tax exempt 20-year municipal bond rates rated as AA or higher as of the valuation date.

Changes in the OPEB Liability

	OPEB Liability
Balance at 12/31/2019	\$ 53,641
Changes for the year:	
Service cost	3,648
Interest	1,519
Changes in current period benefits	-
Difference between expected and actual experience	(799)
Changes in assumptions or other inputs	9,814
Benefit payments	(447)
Net changes	\$ 13,735
Balance at 12/31/2020	\$ 67,376

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

VII. Postemployment Benefits Other than Pensions (continued)

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City, calculated using the discount rate of 2.00% as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
City's OPEB liability	\$ 84,503	\$ 67,376	\$ 54,744

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$9,898.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 612	\$ -
Changes in actuarial assumptions	11,870	-
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	1,830	-
Total	\$ 14,312	\$ -

\$1,830 was reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability for the year ended September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2021	\$ 4,589
2022	4,088
2023	3,298
2024	507
2025	-
Thereafter	-

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

VIII. Commitments and Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and collectability of any related receivable may be impaired. In the opinion of the City, there were no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statement for such contingencies.

IX. Interfund Activity

The City reported transfers during the year ended September 30, 2021 as follows:

- The General Fund to the Water and Sewer Fund totaling \$328,672 for property taxes collected to service the bonds payable held in the Water and Sewer Fund.
- The EDC Fund to the General Fund totaling \$163,500 in support of the Community Center operations

The General Fund owed the Grant Fund \$36,829 related to a deficit of grant funding received in relation to the projects carried out. This interfund balance is to be repaid or collected in the normal course of business, within one year of the fiscal year-end.

X. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City insures its buildings and contents, law enforcement liability, public officials' liability, general liability and auto liability under a renewable one year policy with the Texas Municipal League. The City insures its workers compensation risk by participating in the Texas Municipal League Intergovernmental Risk Pool which is a self-insurance policy mechanism for political subdivisions in Texas. Rates are set by the State Insurance Board. Each participant's contribution to the pool is adjusted based on its workers' compensation history. The City is responsible only to the extent of premiums paid and contributions made to Texas Municipal League and the Intergovernmental Risk Pool. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in each of the past three fiscal years.

CITY OF ALEDO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

XI. Subsequent Events

The City has evaluated all events and transactions that occurred after September 30, 2021 through April 20, 2023, the date these financial statements were available to be issued.

In June 2022, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2022, in the amount of \$18,515,000. Interest ranges from 4.0% to 5.0% and the bond matures in August 2057. The bond was issued to build a new City Hall.

In September 2022, the City entered into a contract for sewer system improvements. Total obligations under this contract are \$4,735,948.

In December 2022, the City entered into a contract for road reconstruction. Total obligations under this contract are \$2,691,958.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALEDO, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Taxes:				
Property	\$ 1,649,410	\$ 1,649,410	\$ 1,778,584	\$ 129,174
Sales	744,000	744,000	950,650	206,650
Franchise	290,000	290,000	309,686	19,686
Building permits	364,575	364,575	627,070	262,495
Court fines and fees	6,450	6,450	5,480	(970)
Construction fees	83,500	83,500	253,307	169,807
Interest income	15,000	15,000	3,837	(11,163)
Event revenue	5,700	5,700	5,933	233
Rental revenue	25,000	25,000	24,261	(739)
Other revenue	17,450	17,450	27,226	9,776
Total revenues	<u>3,201,085</u>	<u>3,201,085</u>	<u>3,986,034</u>	<u>784,949</u>
EXPENDITURES				
Current:				
Administration	1,550,710	1,588,030	1,509,205	78,825
Public works	668,735	668,735	516,131	152,604
City streets	373,060	373,060	254,748	118,312
Municipal court	10,500	10,500	4,841	5,659
Parks and recreation	617,360	617,360	236,286	381,074
Community center	31,450	31,450	18,414	13,036
Capital outlay	395,500	358,180	630,681	(272,501)
Total Expenditures	<u>3,647,315</u>	<u>3,647,315</u>	<u>3,170,306</u>	<u>477,009</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(446,230)</u>	<u>(446,230)</u>	<u>815,728</u>	<u>1,261,958</u>
Other Financing Sources (Uses):				
Transfers in	253,900	253,900	163,500	(90,400)
Transfers out	(329,630)	(329,630)	(328,672)	958
Total Other Financing Sources (Uses)	<u>(75,730)</u>	<u>(75,730)</u>	<u>(165,172)</u>	<u>(89,442)</u>
Net Change in Fund Balances	<u>(521,960)</u>	<u>(521,960)</u>	<u>650,556</u>	<u>1,172,516</u>
Fund Balances - Beginning	4,925,967	4,925,967	4,925,967	-
Fund Balances - Ending	<u><u>\$ 4,404,007</u></u>	<u><u>\$ 4,404,007</u></u>	<u><u>\$ 5,576,523</u></u>	<u><u>\$ 1,172,516</u></u>

CITY OF ALEDO, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
Last 10 Measurement Years (will ultimately be displayed)

Total Pension Liability	2014	2015	2016	2017	2018	2019	2020
Service Cost	\$ 81,325	\$ 94,624	\$ 80,357	\$ 79,713	\$ 85,182	\$ 115,975	\$ 127,981
Interest (on the Total Pension Liability)	41,475	48,603	53,899	58,139	57,391	80,477	92,955
Changes of benefit terms	-	-	-	-	-	221,271	-
Difference between expected and actual experience	(2,848)	(20,254)	2,827	(73,720)	9,151	(2,798)	17,302
Change of assumptions	-	28,976	-	-	-	18,061	-
Benefit payments, including refunds of employee contributions	(21,389)	(28,157)	(53,121)	(94,781)	(61,094)	(31,670)	(34,053)
Net Change in Total Pension Liability	98,563	123,792	83,962	(30,649)	90,630	401,316	204,185
Total Pension Liability - Beginning	562,530	661,093	784,885	868,847	838,198	928,828	1,330,144
Total Pension Liability - Ending (a)	\$ 661,093	\$ 784,885	\$ 868,847	\$ 838,198	\$ 928,828	\$ 1,330,144	\$ 1,534,329
Plan Fiduciary Net Position							
Contributions - Employer	\$ 25,860	\$ 47,067	\$ 40,876	\$ 43,965	\$ 47,317	\$ 50,738	\$ 97,531
Contributions - Employee	45,597	49,028	40,702	40,376	42,140	47,614	52,116
Net Investment Income	30,860	915	45,883	104,418	(25,339)	131,269	79,486
Benefit payments, including refunds of employee contributions	(21,389)	(28,157)	(53,121)	(94,781)	(61,094)	(31,670)	(34,053)
Administrative Expense	(322)	(557)	(525)	(547)	(495)	(749)	(518)
Other	(26)	(28)	(28)	(28)	(26)	(23)	(21)
Net Change in Plan Fiduciary Net Position	80,580	68,268	73,787	93,403	2,503	197,179	194,541
Plan Fiduciary Net Position - Beginning	539,267	619,847	688,115	761,902	855,305	857,808	1,054,987
Plan Fiduciary Net Position - Ending (b)	\$ 619,847	\$ 688,115	\$ 761,902	\$ 855,305	\$ 857,808	\$ 1,054,987	\$ 1,249,528
Net Pension Liability - Ending (a) - (b)	\$ 41,246	\$ 96,770	\$ 106,945	\$ (17,107)	\$ 71,020	\$ 275,157	\$ 284,801
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.76%	87.67%	87.69%	102.04%	92.35%	79.31%	81.44%
Covered Employee Payroll	\$ 651,383	\$ 700,400	\$ 700,400	\$ 576,797	\$ 601,996	\$ 680,207	\$ 744,510
Net Pension Liability as a Percentage of Covered Employee Payroll	6.33%	13.82%	15.27%	-2.97%	11.80%	40.45%	38.25%

Note: Only seven years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF ALEDO, TEXAS
SCHEDULE OF CONTRIBUTIONS
 Last 10 Fiscal Years (will ultimately be displayed)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 40,776	\$ 42,397	\$ 43,625	\$ 46,999	\$ 47,317	\$ 85,360	\$ 116,381
Contributions in relation to the actuarially determined contribution	\$ 41,784	\$ 40,462	\$ 42,682	\$ 44,152	\$ 47,317	\$ 85,360	\$ 116,381
Contribution deficiency (excess)	\$ (1,008)	\$ 1,935	\$ 943	\$ 2,847	\$ -	\$ -	\$ -
Covered employee payroll	\$ 651,383	\$ 700,400	\$ 700,400	\$ 576,797	\$ 601,996	\$ 680,207	\$ 854,087
Contributions as a percentage of covered employee payroll	6.41%	5.78%	6.09%	7.65%	7.86%	12.55%	13.63%

Note: Only seven years of data is presented in accordance with GASB 68, Paragraph 138. “The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.”

CITY OF ALEDO, TEXAS
SCHEDULE OF CHANGES IN OPEB LIABILITY
AND RELATED RATIOS
Last 10 Measurement Years (will ultimately be displayed)

OPEB Liability	2017	2018	2019	2020
Service Cost	\$ 2,076	\$ 2,468	\$ 2,245	\$ 3,648
Interest (on OPEB Liability)	1,234	1,296	1,540	1,519
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	2,316	639	(799)
Change of assumptions	3,268	(3,307)	9,044	9,814
Benefit payments, including refunds of employee contributions	<u>(288)</u>	<u>(241)</u>	<u>(408)</u>	<u>(447)</u>
Net Change in OPEB Liability	6,290	2,532	13,060	13,735
Total OPEB Liability - Beginning	<u>31,759</u>	<u>38,049</u>	<u>40,581</u>	<u>53,641</u>
Total OPEB Liability - Ending (a)	<u>\$ 38,049</u>	<u>\$ 40,581</u>	<u>\$ 53,641</u>	<u>\$ 67,376</u>
Covered Employee Payroll	\$ 576,797	\$ 601,996	\$ 680,207	\$ 744,510
OPEB Liability as a Percentage of Covered Employee Payroll	6.60%	6.74%	7.89%	9.05%

Notes:

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

Only four years of data is presented in accordance with GASB 75, Paragraph 245. “The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.”