

ANNUAL FINANCIAL REPORT

CITY OF PLAINS, TEXAS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

CITY OF PLAINS
Plains, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2020

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INTRODUCTORY SECTION

CITY OF PLAINS
Plains, Texas

September 30, 2020

CITY COUNCIL

Shane McKinzie

Mayor

Debbie Smith

Mayor Pro-tem

Robert Whitfield

Councilmember

Elsa Moya

Councilmember

Charles Cain

Councilmember

Karen Williams

Councilmember

ADMINISTRATIVE STAFF

Steve Vasquez
Pam Rowe

City Administrator
City Secretary

FINANCIAL SECTION

Terry & King, CPAs, P.C.

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Independent Auditors' Report on Financial Statements

Honorable Mayor and City Council
City of Plains, Texas
P.O. Box 550
Plains, Texas 79355

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Plains, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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



Other Matters

Required Supplementary Information

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

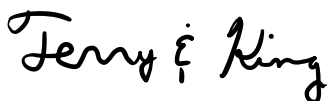
Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2021, on our consideration of the City of Plains' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Plains' internal control over financial reporting and compliance.

Respectfully submitted,



Terry & King, CPAs, P.C.
Lubbock, Texas
January 11, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Plains’ financial performance provides an overview of the City’s financial activities for the fiscal year ended September 30, 2020. Please read this in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City’s net position increased as a result of this year’s operations. While the net position of our business-type activities decreased by \$69,280 or 3%, net position of our governmental activities increased by \$155,257 (8%).
- During the year, the City had expenses that were \$11,333 less than the \$559,378 generated in tax and other revenues for governmental programs before transfers.
- In the City’s business type activities, revenues decreased \$7,517 to \$1,049,869 (or 1%). Operating expenses increased \$25,370 to \$975,225.
- The General Fund reported a surplus this year of \$11,037 prior to inter-fund transfers in of \$143,924.
- The resources available for appropriation were \$46,483 more than budgeted for the General Fund. Expenditures for the General Fund were less than the budgeted amounts by \$58,993.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City’s finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole -- The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and the changes to its position. You can think of the City's net position—the differences between assets and liabilities—as one way to measure the City's financial health. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the ambulance, fire, public works, and parks departments, and general administration. Property taxes, franchise taxes, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's water, gas, sewer and garbage services are reported here.

Reporting the City's Most Significant Funds – Fund Financial Statements

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. At times a city council may establish other funds to help it control and manage money for particular purposes, such as special projects or to show that it is meeting legal responsibilities for using certain Federal or State grants. Currently the City's governmental funds consist of the General Fund and a special revenue fund to account for grant funds. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds*—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The Governmental fund statements provide a detailed *short-term view* of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in reconciliation on Exhibits C-1R and C-3.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City’s combined net position was \$4,570,888. Our following analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City’s government and business-type activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$4,570,888 at September 30, 2020. (See Table A-1).

Table A-1
City of Plains' Net Position

	Governmental Activities			Business-type Activities			Total		
	2020	2019	Percentage Change	2020	2019	Percentage Change	2020	2019	Percentage Change
Current assets:									
Cash and Investments	1,555,425	1,412,968	10%	107,507	106,997	0%	1,662,932	1,519,965	9%
Accounts Receivable-Utilities, net	-	-	0%	81,078	82,048	-1%	81,078	82,048	-1%
Taxes Receivable, net	4,455	3,684	21%	-	-	0%	4,455	3,684	21%
Due from Other Governments	12,674	-	100%	-	-	0%	12,674	-	100%
Notes Receivable - current	-	-	0%	12,000	12,000	0%	12,000	12,000	0%
Total current assets:	1,572,554	1,416,652	11%	200,585	201,045	0%	1,773,139	1,617,697	10%
Noncurrent assets:									
Notes Receivable - noncurrent	-	-	0%	120,840	133,840	-10%	120,840	133,840	-10%
Net Pension Asset	26,932	-	100%	69,010	-	100%	95,942	-	100%
Net Capital Assets	512,792	513,199	0%	2,254,669	2,216,118	2%	2,767,461	2,729,317	1%
Total noncurrent assets	539,724	513,199	5%	2,444,519	2,349,958	4%	2,984,243	2,863,157	4%
Total Assets	2,112,278	1,929,851	9%	2,645,104	2,551,003	4%	4,757,382	4,480,854	6%
Deferred Outflows of Resources									
Deferred Outflows - Lease Contract	-	-	0%	4,969	7,026	-29%	4,969	7,026	-29%
Deferred Outflows - Pension & OPEB	13,956	36,390	-62%	61,956	112,873	-45%	75,912	149,263	-49%
Total Deferred Outflows of Resources	13,956	36,390	-62%	66,925	119,899	-44%	80,881	156,289	-48%
Current liabilities:									
Accounts Payable	1,599	1,429	12%	13,079	16,308	-20%	14,678	17,737	-17%
Total current liabilities	1,599	1,429	12%	13,079	16,308	-20%	14,678	17,737	-17%
Noncurrent liabilities:									
Due to Others	-	-	0%	56,685	55,285	3%	56,685	55,285	3%
Net Pension Liability	-	14,836	-100%	-	26,342	-100%	-	41,178	-100%
Total OPEB Liability	8,614	5,307	62%	19,670	12,043	63%	28,284	17,350	63%
Due within one year	-	-	0%	23,744	-	100%	23,744	-	100%
Due in more than one year	-	-	0%	70,468	-	100%	70,468	-	100%
Total noncurrent liabilities	8,614	20,143	-57%	170,567	93,670	82%	179,181	113,813	57%
Deferred Inflows of Resources									
Deferred Inflows - Pension & OPEB	21,618	5,523	291%	51,898	15,159	242%	73,516	20,682	255%
Total Deferred Inflows of Resources	21,618	5,523	291%	51,898	15,159	242%	73,516	20,682	255%
Net Position:									
Restricted - Collateralized Deposits	-	-	0%	60,000	60,000	0%	60,000	60,000	0%
Net investment in capital assets	512,792	513,199	0%	2,160,457	2,216,118	-3%	2,673,249	2,729,317	-2%
Unrestricted	1,581,611	1,425,947	11%	256,028	269,647	-5%	1,837,639	1,695,594	8%
Total Net Position	2,094,403	1,939,146	8%	2,476,485	2,545,765	-3%	4,570,888	4,484,911	2%

The net position of the City's governmental activities increased 8% (\$2,094,403 compared to \$1,939,146). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$1,425,947 at September 30, 2019 to \$1,581,611 at the end of this year. The net position of the City's business-type activities decreased 3%, from \$2,545,765 to \$2,476,485.

Table A-2
Changes in City of Plains' Net Position

	Governmental Activities			Business-type Activities			Total		
	2020	2019	Percentage Change	2020	2019	Percentage Change	2018	2017	Percentage Change
Program Revenues:									
Charges for Services	30,816	35,311	-13%	1,049,869	1,057,386	-1%	1,080,685	1,092,697	-1%
Grants & Contributions	144,288	115,933	24%	-	-	0%	144,288	115,933	24%
General Revenues:									
Property Taxes	158,332	152,103	4%	-	-	0%	158,332	152,103	4%
Nonproperty Taxes	151,156	194,374	-22%	-	-	0%	151,156	194,374	-22%
Investment Earnings	29,687	48,834	-39%	-	-	0%	29,687	48,834	-39%
Other	45,099	47,051	-4%	-	-	0%	45,099	47,051	-4%
Total Revenues	559,378	593,606	-6%	1,049,869	1,057,386	-1%	1,609,247	1,650,992	-3%
Expenses:									
General Administration	228,144	219,339	4%	-	-	0%	228,144	219,339	4%
General Service	28,571	21,606	32%	-	-	0%	28,571	21,606	32%
Court and Code Enforcement	14,798	2,943	403%	-	-	0%	14,798	2,943	403%
Streets and Service	20,836	22,598	-8%	-	-	0%	20,836	22,598	-8%
Fire Department	69,386	74,431	-7%	-	-	0%	69,386	74,431	-7%
Health and Welfare	186,310	192,778	-3%	-	-	0%	186,310	192,778	-3%
Utilities	-	-	0%	975,225	949,855	3%	975,225	949,855	3%
Total Expenses	548,045	533,695	3%	975,225	949,855	3%	1,523,270	1,483,550	3%
Excess (Deficiency) Before Other Resources, Uses & Transfers	11,333	59,911	-81%	74,644	107,531	-31%	85,977	167,442	-49%
Insurance Proceeds	-	-	0%	-	-	0%	-	-	0%
Gain/(Loss) on Asset Sales	-	-	0%	-	-	0%	-	-	0%
Transfers In (Out)	143,924	214,529	-33%	(143,924)	(214,529)	-33%	-	-	0%
Increase (Decrease) in Net Position	155,257	274,440	43%	(69,280)	(106,998)	-35%	85,977	167,442	-49%
Net Position - Beginning	1,939,146	1,664,706	16%	2,545,765	2,652,763	-4%	4,484,911	4,317,469	4%
Net Position - Ending	2,094,403	1,939,146	8%	2,476,485	2,545,765	-3%	4,570,888	4,484,911	2%

The City's total revenues were \$1,609,247. A significant portion, 65%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (28%), non-property taxes (27%), earnings on investments (5%), charges for services (6%), grants and contributions (26%) and other (8%).

The total cost of all programs and services was \$1,523,270; 64% of these costs were for utilities production and administration expenses. Expenses for governmental activities consisted of costs for general administration (42%), general services (5%), courts and code enforcement (3%), streets and services (4%), fire department (12%), and health and welfare (34%).

Governmental Activities

Revenues for the City's governmental activities decreased \$34,228 or 6%, while total expenses increased by 3%.

- Property tax rates increased from \$0.350092 per \$100 valuation to \$0.357907 per \$100 valuation. The ad valorem tax levy for the previous fiscal year was \$148,087, compared to \$158,736 for the current year. Total tax collections increased slightly, from \$149,215 in the prior year to \$158,736 in the current year.
- Nonproperty tax revenues decreased \$43,218.
- Interest income decreased \$19,147.
- Miscellaneous income decreased \$1,952.
- The cost of all *governmental* activities this year was \$548,045. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was \$158,332 because some of the costs were paid by those who directly benefited from the programs (\$30,816) and by nonproperty taxes (\$151,156).

Business-type Activities

Revenues of the City's business-type activities (see table A-2) decrease by 1% (\$1,057,386 to \$1,049,869) and expenses increased by 3% (\$949,855 to \$975,225).

THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a *combined* fund balance of \$1,566,500, which is an increase from the prior year's total of \$1,411,539. The following items effecting fund balance should be noted:

- In the prior year, revenues were more than expenditures by \$140,729 prior to transfers. In the current year, revenues were more than expenditures by \$11,037 prior to transfers. The general fund received \$143,924 as a transfer from the enterprise funds in the current year.
- The revenues in the general fund decreased approximately 6% from the prior period and expenses for the general fund increased approximately 21% from the prior period.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City's budget several times. Even with these adjustments, actual revenues were \$46,483 above budgeted amounts and expenditures were \$58,993 less than final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the City had \$9,515,305 invested in a broad range of capital assets, including ambulance and fire equipment, buildings, furniture and equipment, and utilities facilities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$281,296 from last year.

Table A-3
Fixed Assets

Governmental <u>Activities:</u>	Balance <u>10-1-19</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-20</u>
Land	\$ 15,117	-	-	15,117
Buildings& Improvements	775,377	10,880	-	786,257
Furniture & Equipment	689,456	56,616	-	746,072
Accumulated Depreciation	<u>(966,751)</u>	<u>(67,903)</u>	-	<u>(1,034,654)</u>
Net Capital Assets	<u>\$ 513,199</u>	<u>\$ (407)</u>	<u>\$ -</u>	<u>\$ 512,792</u>

Business-Type Activities:	Balance 10-1-19	Additions	Deletions/ Reclassifications	Balance 9-30-20
Land	\$ 307,720	-	-	307,720
Construction in Progress	136,850	21,535	(10,000)	148,385
Buildings& Improvements	7,589	-	-	7,589
Vehicles	376,861	181,282	-	558,143
Gas System	800,836	-	-	800,836
Sewer System	1,793,010	10,983	10,000	1,813,993
Water System	4,178,509	-	-	4,178,509
Garbage Equipment	152,684	-	-	152,684
Accumulated Depreciation	(5,537,941)	(175,249)	-	(5,713,190)
Net Capital Assets	\$ 2,216,118	\$ 38,551	\$ -	\$ 2,254,669

More detailed information about the City's capital assets is presented in the notes to the financial statements.

Debt

A municipal government can finance activities such as capital improvements and acquisitions through general tax bonds or revenue bonds. Additionally, a government may purchase items through the use of capital leases. Short-term financing is available in the form of time warrants with a financial institution.

During fiscal year 2020, the City issued a note payable for the purchase of a garbage truck. The loan is payable in 48 monthly payments of \$2,260. The loan has an effective interest rate of 3.99%.

Business-Type Activities:	Balance 10-1-18	Additions	Decreases	Balance 9-30-19	Due Within One Year
Note Payable	\$ -	\$ 100,000	\$ 5,788	\$ 94,212	\$ 23,744
Total Notes Payable	\$ -	\$ 100,000	\$ 5,788	\$ 94,212	\$ 23,744

More detailed information about the City's long-term obligations is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials considered many factors when setting the fiscal year 2021 budget, tax rates, and fees. Factors considered include the current economy, property tax values and the needs of the City in the coming year. The Council has adopted tax rates, budgets and set fees accordingly.

If these estimates are realized, the City's budgetary general fund fund balance is expected to increase slightly by the close of 2021.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrator at the City's office located in Plains, Texas.

BASIC FINANCIAL STATEMENT

CITY OF PLAINS
Plains, Texas
STATEMENT OF NET POSITION
September 30, 2020

	Primary Government			Component Unit	Total Reporting Entity
	Governmental Activities	Business-type Activities	Total		
ASSETS:					
Cash in Bank	\$ 740,444	\$ 47,507	\$ 787,951	\$ 434,784	\$ 1,222,735
Investments	814,981	-	814,981	-	814,981
Temporary Investments - Restricted	-	60,000	60,000	-	60,000
Accounts Receivable-Utilities, net	-	81,078	81,078	-	81,078
Taxes Receivable, Net	4,455	-	4,455	-	4,455
Due from Other Governments	12,674	-	12,674	-	12,674
Notes Receivable - current	-	12,000	12,000	3,000	15,000
Noncurrent Assets:					
Notes Receivable - noncurrent	-	120,840	120,840	21,000	141,840
Net Pension Asset	26,932	69,010	95,942	-	95,942
Land	15,117	307,720	322,837	221,771	544,608
Construction in Progress	-	148,385	148,385	-	148,385
Buildings & Improvements, net	402,951	26	402,977	-	402,977
Utility Systems & Equipment, net	-	1,598,939	1,598,939	-	1,598,939
Furniture & Equipment, net	94,724	199,599	294,323	-	294,323
TOTAL ASSETS	\$ 2,112,278	\$ 2,645,104	\$ 4,757,382	\$ 680,555	\$ 5,437,937
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Outflows - Lease Contract	\$ -	\$ 4,969	\$ 4,969	\$ -	\$ 4,969
Deferred Outflows - Pension	10,683	54,520	65,203	-	65,203
Deferred Outflows - OPEB	3,273	7,436	10,709	-	10,709
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 13,956	\$ 66,925	\$ 80,881	\$ -	\$ 80,881
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 1,599	\$ 13,079	\$ 14,678	\$ -	\$ 14,678
Noncurrent Liabilities:					
Due to Others	-	56,685	56,685	-	56,685
Net Pension Liability	-	-	-	-	-
Net OPEB Liability	8,614	19,670	28,284	-	28,284
Due within one year	-	23,744	23,744	12,000	35,744
Due in more than one year	-	70,468	70,468	120,840	191,308
Total Liabilities	10,213	183,646	193,859	132,840	326,699
DEFERRED INFLOWS OF RESOURCES:					
Deferred Inflows - Pension	21,315	51,265	72,580	-	72,580
Deferred Inflows - OPEB	303	633	936	-	936
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 21,618	\$ 51,898	\$ 73,516	\$ -	\$ 73,516
NET POSITION					
Restricted - Collateralized Deposits	-	60,000	60,000	-	60,000
Net Investment in capital assets	512,792	2,160,457	2,673,249	221,771	2,895,020
Unrestricted	1,581,611	256,028	1,837,639	325,944	2,163,583
Total Net Position	\$ 2,094,403	\$ 2,476,485	\$ 4,570,888	\$ 547,715	\$ 5,118,603

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

STATEMENT OF ACTIVITIES
Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	Total Reporting Entity
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total		
Government Activities:									
General Administration	228,144	\$ -	\$ -	\$ -	\$ (228,144)	-	(228,144)	-	(228,144)
General Service	28,571	-	-	-	(28,571)	-	(28,571)	-	(28,571)
Court and Code Enforcement	14,798	-	-	-	(14,798)	-	(14,798)	-	(14,798)
Streets and Service	20,836	-	-	-	(20,836)	-	(20,836)	-	(20,836)
Fire Department	69,386	-	29,624	-	(39,762)	-	(39,762)	-	(39,762)
Health and Welfare	186,310	30,816	114,664	-	(40,830)	-	(40,830)	-	(40,830)
Total Government Activities	548,045	30,816	144,288	-	(372,941)	-	(372,941)	-	(372,941)
Business-type Activities									
Utilities Funds	975,225	1,049,869	-	-	-	74,644	74,644	-	74,644
Total Primary Government	1,523,270	1,080,685	144,288	-	(372,941)	74,644	(298,297)	-	(298,297)
Component Unit:									
Economic Development Corporation	\$ 3,114	\$ -	\$ -	\$ -				\$ (3,114)	\$ (3,114)
General Revenues:									
Property Taxes, Levied for General Purpose:					158,332	-	158,332	-	158,332
Nonproperty Taxes					151,156	-	151,156	63,987	215,143
Investment Earnings					29,687	-	29,687	4,674	34,361
Miscellaneous					45,099	-	45,099	-	45,099
Transfers					143,924	(143,924)	-	-	-
Total General Revenue					528,198	(143,924)	384,274	68,661	452,935
Change in Net Assets					155,257	(69,280)	85,977	65,547	151,524
Net Position -- Beginning					1,939,146	2,545,765	4,484,911	482,168	4,967,079
Net Position -- Ending					\$ 2,094,403	\$ 2,476,485	\$ 4,570,888	\$ 547,715	\$ 5,118,603

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS
September 30, 2020

	General Fund	Total Governmental Funds
ASSETS		
Cash	\$ 740,444	\$ 740,444
Time Deposits & Savings	814,981	814,981
Taxes Receivable, net	4,455	4,455
Due from Other Governments	<u>12,674</u>	<u>12,674</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,572,554</u>	<u>\$ 1,572,554</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 1,599	\$ 1,599
<u>Total Liabilities</u>	<u>1,599</u>	<u>1,599</u>
DEFERRED INFLOWS OF RESOURCES:		
Unavailable Revenue - Property Taxes	<u>4,455</u>	<u>4,455</u>
<u>Total Deferred Inflows of Resources</u>	<u>4,455</u>	<u>4,455</u>
FUND BALANCES		
Fund Balance-Unassigned	<u>1,566,500</u>	<u>1,566,500</u>
<u>Total Fund Balances</u>	<u>1,566,500</u>	<u>1,566,500</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 1,572,554</u>	<u>\$ 1,572,554</u>

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

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

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 1,566,500
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:	
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds	4,455
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	512,792
Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension asset required by GASB 68 in the amount of \$26,932, a deferred resource outflow related to pension in the amount of \$10,683, and a deferred resource inflow of \$21,315. This resulted in an increase in net position by \$16,300.	16,300
Included in the items related to noncurrent liabilities is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$8,614, a deferred resource outflow related to OPEB in the amount of \$3,273, and a deferred resource inflow of \$303. This resulted in a decrease in net position of \$5,644.	<u>(5,644)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 2,094,403</u>

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

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

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
REVENUES:		
Property Taxes (Including Penalty & Interest)	\$ 157,561	\$ 157,561
Sales Taxes	127,965	127,965
Franchise Taxes	23,191	23,191
Interest	29,687	29,687
Intergovernmental	105,268	105,268
Donations	26,346	26,346
Ambulance	30,816	30,816
Grant Revenues	12,674	12,674
Miscellaneous	45,099	45,099
<u>Total Revenues</u>	<u>558,607</u>	<u>558,607</u>
EXPENDITURES		
Current		
General Administration	219,020	219,020
General Service	23,354	23,354
Court and Code Enforcement	14,798	14,798
Streets and Service	15,620	15,620
Fire Department	72,171	72,171
Health and Welfare	157,129	157,129
Capital Outlay	45,478	45,478
<u>Total Expenditures</u>	<u>547,570</u>	<u>547,570</u>
Excess of Revenues Over (Under) Expenditures	11,037	11,037
OTHER FINANCING SOURCES (USES)		
Transfers In	143,924	143,924
<u>Total Other Financing Sources (Uses)</u>	<u>143,924</u>	<u>143,924</u>
Net Change in Fund Balance	154,961	154,961
Fund Balance--Beginning of Year	<u>1,411,539</u>	<u>1,411,539</u>
<u>Fund Balance--End of Year</u>	<u>\$ 1,566,500</u>	<u>\$ 1,566,500</u>

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

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

Net Change in Fund Balances -- Total Governmental Funds	\$	154,961
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.		67,496
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.		(67,903)
Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts have changed during the current period.		771
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in pension expense	982	
Change in OPEB expense	<u>(1,050)</u>	
		<u>(68)</u>
Change in Net Position -- Statement of Activities	\$	<u><u>155,257</u></u>

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2020

	Business-Type Activities-- <u>Enterprise Funds</u>
	<u>Utilities Funds</u>
ASSETS	
<u>Current Assets:</u>	
Cash in Bank	\$ 47,507
Time Deposits - Restricted	60,000
Accounts Receivable	82,697
Allowance for Uncollectible	(1,619)
Note Receivable - Current	12,000
<u>Total Current Assets</u>	<u>200,585</u>
<u>Noncurrent Assets:</u>	
Note Receivable - noncurrent	120,840
Net Pension Asset	69,010
Land	307,720
Construction in Progress	148,385
Buildings and Improvements, net	26
Utility Systems & Equipment, net	1,598,939
Furniture & Equipment, net	199,599
<u>Total Noncurrent Assets</u>	<u>2,444,519</u>
<u>TOTAL ASSETS</u>	<u>\$ 2,645,104</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Lease Contract	4,969
Deferred Outflows - Pension	54,520
Deferred Outflows - OPEB	7,436
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 66,925</u>
LIABILITIES & NET POSITION	
<u>Current Liabilities</u>	
Accounts Payable	\$ 13,079
<u>Noncurrent Liabilities</u>	
Customer Deposits	56,685
Net Pension Liability	-
Net OPEB Liability	19,670
Due within one year	23,744
Due in more than one year	70,468
<u>TOTAL LIABILITIES</u>	<u>183,646</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension	51,265
Deferred Inflows - OPEB	633
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>\$ 51,898</u>
NET POSITION	
Restricted - Collateralized Deposits	60,000
Net investment in capital assets	2,160,457
Unrestricted	256,028
<u>TOTAL NET POSITION</u>	<u>\$ 2,476,485</u>

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION--
PROPRIETARY FUNDS

For the Year Ended September 30, 2020

	<u>Business-Type Activities-- Enterprise Funds</u>
	<u>Utilities Funds</u>
<u>Operating Revenues</u>	
Sales	\$ 1,033,859
Penalties	14,910
Tap Fees	1,100
Miscellaneous	-
<u>Total Operating Revenues</u>	<u>1,049,869</u>
<u>Operating Expenses</u>	
Cost of Sales	180,841
Salaries	317,386
Payroll Taxes	8,475
Retirement Costs	29,572
Supplies	2,670
Repairs & Maintenance	138,171
Utilities & Fuel	46,030
Employee Expenses and Training	2,066
Insurance	67,378
Depreciation	175,249
Professional Fees	6,350
Miscellaneous	45
<u>Total Operating Expenses</u>	<u>974,233</u>
<u>Operating Income (Loss) Before Operating Transfers</u>	<u>75,636</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Expense	(992)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(992)</u>
<u>Transfers and Capital Contributions:</u>	
Transfers In (Out)	(143,924)
<u>Total Transfers and Capital Contributions</u>	<u>(143,924)</u>
Net Income (Loss)	(69,280)
NET POSITION	
Net Position, Beginning of Year	<u>2,545,765</u>
Net Position, End of Year	<u><u>2,476,485</u></u>

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

STATEMENT OF CASH FLOWS--
PROPRIETARY FUNDS
For the Year Ended September 30, 2020

	Business-Type Activities-- <u>Enterprise Funds</u>
	<u>Utilities Funds</u>
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers	\$ 1,052,239
Payments to Suppliers	(444,723)
Payments to Employees	<u>(355,502)</u>
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>252,014</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfers	<u>(143,924)</u>
<u>Net Cash Provided (Used) by Non-Capital Financing Activities</u>	<u>(143,924)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Fixed Assets	(213,800)
Proceeds from Debt Acquired for Fixed Assets	100,000
Payments on Debt Acquired for Fixed Assets	(6,780)
Payments Received from Notes Receivable	<u>13,000</u>
<u>Net Cash Provided (Used) by Capital & Related Financing Activities</u>	<u>(107,580)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	510
Cash & Cash Equivalents--Beginning of Year	<u>106,997</u>
<u>Cash & Cash Equivalents--End of Year</u>	<u>107,507</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Operating Income (Loss)	75,636
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:	
Depreciation	175,249
(Increase) Decrease in Net Pension Asset/Liability	(95,352)
(Increase) Decrease in Deferred Inflows/Outflows Pensions	92,883
(Increase) Decrease in Net OPEB Asset/Liability	7,627
(Increase) Decrease in Deferred Inflows/Outflows OPEB	(5,227)
(Increase) Decrease in Deferred Lease Payments	2,057
(Increase) Decrease in Receivables	970
Increase (Decrease) in Liabilities	<u>(1,829)</u>
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>252,014</u>

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Note A: Summary of Significant Accounting Policies

The City of Plains, Texas was incorporated under the provisions of the State of Texas. The City operates under a Council form of government and provides the following services as authorized by its charter: public safety (ambulance and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities operations.

The basic financial statements of the City of Plains have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units. Generally 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 (AICPA).

1. The Reporting Entity

The City of Plains is a home rule municipality governed by an elected mayor and a five member City Council who appoint a City Manager. The City's financial statements include its component units. The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "The Financial Reporting Entity" (as amended by GASB Statement No. 39) in that the financial statements include all organizations, activities, functions and component units for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Discretely Presented Component Units

The Plains Economic Development Corporation (PEDC), a non-profit corporation, was created to promote future economic development in Plains, Texas. The PEDC is included in the reporting entity because the City Council approves the appointment of the five-member Board of Directors and approves its annual budget. Accordingly, the City is financially accountable and is able to impose its will on the organization. The PEDC is reported as a governmental fund type component unit. Significant transactions between the City and PEDC included the City's disbursement of PEDC's share of sales tax revenues to PEDC amounting to \$63,987 for the year ended September 30, 2020. Separate PEDC financial information can be obtained by writing to Plains Economic Development Corporation, P.O. Box 550, Plains, TX 79355.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 2
September 30, 2020

Note A: Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange 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 different 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 of 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 funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund: This is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

In addition, the City reports the following fund types:

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 3
September 30, 2020

Note A: Summary of Significant Accounting Policies--Continued

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. 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. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus utilizing the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 4
September 30, 2020

Note A: Summary of Significant Accounting Policies (continued)

c. Fund Balance Classification

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. The City currently has \$60,000 restricted as collateral in accordance with a vendor contract.

Unassigned: This classification includes the residual fund balance for the General Fund.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the City considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Investments for the City are reported at fair value.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1st for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st 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.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. As of September 30, 2020, the amount deemed uncollectible by this estimate was \$2,061. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 5
September 30, 2020

Note A: Summary of Significant Accounting Policies (continued)

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect cost applicable to future periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment and Furniture	3-15
Computer Equipment	3

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of the period end.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 6
September 30, 2020

Note A: Summary of Significant Accounting Policies (continued)

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two items which qualifies for reporting in this category.

In addition to liabilities, the statement of financial 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. The City currently has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 7
September 30, 2020

Note A: Summary of Significant Accounting Policies (continued)

i. Pensions

For purposes of measuring the net pension liability/asset, 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.

j. Other Post Employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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.

Note B: Compliance and Accountability

1. Fair Value Measurements

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 8
September 30, 2020

Note B: Compliance and Accountability (continued)

1. Fair Value Measurements

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Note C: Deposits and Investments

Under Texas state law, the City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing saving accounts included in temporary investments) was \$1,662,932 and the bank balance was \$1,725,471. The City's cash deposits at September 30 and throughout the year were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize and investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 9
September 30, 2020

Note C: Deposits and Investments (continued)

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The City's investments at September 30, 2020 included certificates of deposit (\$874,981).

The Plains Economic Development Corporation holds land that is being developed for resale. Using Level 2 inputs, it is estimated that fair value equals \$221,771, which is the quoted sales price and the price at which lots have sold recently.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10
September 30, 2020

Note C: Deposits and Investments (continued)

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Note D: Receivables

Receivables as of September 30, 2019 for the City's major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts are as follows:

Governmental activities:			
General Fund	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Property taxes	\$ 6,516	\$ (2,061)	\$ 4,455
Grant Funds	<u>12,674</u>	<u>-</u>	<u>12,674</u>
Total governmental	<u>\$ 19,190</u>	<u>\$ (2,061)</u>	<u>\$ 17,129</u>
Business-type activities:			
Utility Funds			
Customer accounts	\$ 82,697	\$ (1,619)	\$ 81,078
Grant Funds	-	-	-
Note Receivable-EDC	<u>\$132,840</u>	<u>\$ -</u>	<u>\$132,840</u>
Total business-type	<u>\$215,537</u>	<u>\$ (1,619)</u>	<u>\$213,918</u>
Component unit:			
Plains Economic Development Corporation			
Loans receivable	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ 24,000</u>
Total component unit	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ 24,000</u>

The \$132,840 note receivable held by the City's Water Fund is a note owed by the PEDC to the City for purchase of land. This is an interest free note due with minimum payments of \$1,000 per month.

The \$24,000 loan receivable held by the PEDC is an interest free note owed by a local business for the lease-purchase of a building. The minimum lease payments are \$250 per month.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 11
September 30, 2020

Note E: Capital Assets

Capital asset activity for the period ended September 30, 2020, was as follows:

Governmental Activities:	Balance <u>10-1-19</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-20</u>
Land	\$ 15,117	-	-	\$ 15,117
Buildings & Improvements	775,377	10,880	-	786,257
Furniture & Equipment	<u>689,456</u>	<u>56,616</u>	-	<u>746,072</u>
Total Capital Assets	<u>\$ 1,479,950</u>	<u>\$ 67,496</u>	<u>\$ -</u>	<u>\$ 1,547,446</u>
 <u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings & Improvements	\$ 364,340	\$ 18,965	-	\$ 383,305
Furniture & Equipment	<u>602,411</u>	<u>48,938</u>	-	<u>651,349</u>
Total Accumulated Depreciation	<u>\$ 966,751</u>	<u>\$ 67,903</u>	<u>\$ -</u>	<u>\$ 1,034,654</u>
Net Capital Assets	<u>\$ 513,199</u>	<u>\$ (407)</u>	<u>\$ -</u>	<u>\$ 512,792</u>
Business-Type Activities:	Balance <u>10-1-19</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-20</u>
Land	\$ 307,720	-	-	\$ 307,720
Construction in Progress	136,850	21,535	(10,000)	148,385
Buildings & Improvements	7,589	-	-	7,589
Vehicles	376,861	181,282	-	558,143
Gas System	800,836	-	-	800,836
Sewer System	1,793,010	10,983	10,000	1,813,993
Water System	4,178,509	-	-	4,178,509
Garbage Equipment	<u>152,684</u>	-	-	<u>152,684</u>
Total Capital Assets	<u>\$ 7,754,059</u>	<u>\$ 213,800</u>	<u>\$ -</u>	<u>\$ 7,967,859</u>
 <u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings & Improvements	\$ 7,544	\$ 9	-	\$ 7,563
Vehicles	333,897	24,646	-	358,543
Gas System	670,190	13,924	-	684,114
Sewer System	1,198,982	46,300	-	1,245,282
Water System	3,174,634	90,370	-	3,265,004
Garbage Equipment	<u>152,684</u>	-	-	<u>152,684</u>
Total Accumulated Depreciation	<u>\$ 5,537,941</u>	<u>\$ 175,249</u>	<u>\$ -</u>	<u>\$ 5,713,190</u>
Net Capital Assets	<u>\$ 2,216,118</u>	<u>\$ 38,551</u>	<u>\$ -</u>	<u>\$ 2,254,669</u>

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 12
September 30, 2020

Note E: Capital Assets (continued)

Depreciation was charged to functions as follows:

General Administration	\$ 8,803
General Service	5,216
Streets and Service	5,216
Fire Department	19,233
Health & Welfare	29,435
Water	91,908
Gas	15,464
Sewer	47,835
Garbage	<u>20,042</u>
	<u>\$243,152</u>

Note F: Long-Term Debt

Short term loans are accounted for through the applicable fund. General Fund proceeds from loans (except those issued and retired during the current year) are shown in the financial statements as Other Resources and principal payments as Other Uses. Enterprise fund loans are shown in the appropriate fund.

During fiscal year 2020, the City issued a note payable for the purchase of a garbage truck. The loan is payable in 48 monthly payments of \$2,260. The loan has an effective interest rate of 3.99%.

During fiscal year 2014, the Plains EDC purchase land from the City of Plains for \$232,000. An interest-free note was established where the Plains EDC is paying the City \$1,000 per month.

Changes in long-term obligations for the year ended September 30, 2020 are as follows:

<u>Enterprise Funds:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable – Garbage Truck	\$ -	\$ 100,000	\$ 5,788	\$ 94,212	\$ 23,744
<u>Total Enterprise Funds:</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 5,788</u>	<u>\$ 94,212</u>	<u>\$ 23,744</u>

<u>Component Unit Plains EDC:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable – Land	\$ 145,840	\$ -	\$ 13,000	\$ 132,840	\$ 12,000
<u>Total Component Unit:</u>	<u>\$ 145,840</u>	<u>\$ -</u>	<u>\$ 13,000</u>	<u>\$ 132,840</u>	<u>\$ 12,000</u>

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 13
September 30, 2020

Note F: Long-Term Debt (continued)

Future payments on long-term obligations as of September 30, 2020 are as follows.

<u>Enterprise Funds</u>			
Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 23,744	\$ 3,376	\$ 27,120
2022	24,724	2,397	27,120
2023	25,743	1,377	27,120
2024	<u>20,001</u>	<u>339</u>	<u>20,340</u>
Total	<u>\$ 94,212</u>	<u>\$ 7,489</u>	<u>\$ 101,701</u>

<u>Component Unit – Plains EDC</u>			
Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 12,000	\$ -	\$ 12,000
2022	12,000	-	12,000
2023	12,000	-	12,000
2024	12,000	-	12,000
2025-2032	<u>84,840</u>	<u>-</u>	<u>84,840</u>
Total	<u>\$ 132,840</u>	<u>\$ -</u>	<u>\$132,840</u>

Note G: Interfund Transfers

Interfund transfers for the year ended September 30, 2020 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund:</u>		
Proprietary Fund	<u>143,924</u>	<u>-</u>
<u>Total General Fund</u>	<u>143,924</u>	<u>-</u>
<u>Proprietary Funds:</u>		
General Fund	<u>-</u>	<u>143,924</u>
<u>Total</u>	<u>\$ 143,924</u>	<u>\$ 143,924</u>

These interfund transfers represent cash flow transfers to the general fund in the normal course of business.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14
September 30, 2020

Note H: TMRS-Pension Plan

Plan Description

The City of Plains participates as one of 888 plans in the non-traditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8 Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

	<u>Plan Year 2019</u>	<u>Plan Year 2018</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100%	100%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 15
September 30, 2020

Note H: TMRS-Pension Plan (continued)

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>9</u>
Total	18

Contributions

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

Employees for the City of Plains were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Plains were 6.57% and 4.22% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$41,724, and were greater than the required contributions.

Net Pension Liability

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

Actuarial assumptions:

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

Inflation	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

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 16
September 30, 2020

Note H: TMRS-Pension Plan (continued)

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 become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (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 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	<u>10.00%</u>	7.75%
Total	100.00%	

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 17
September 30, 2020

Note H: TMRS-Pension Plan (continued)

Discount Rate

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

Change in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/18	\$ 1,867,067	\$ 1,825,889	\$ 41,178
Changes for the year:			
Service cost	44,209		44,209
Interest	125,452		125,452
Change of benefit terms			
Difference between expected and actual experience	35,764		35,764
Changes of assumptions	1,681		1,681
Contributions - employer		37,741	(37,741)
Contributions - employee		25,724	(25,724)
Net investment income		282,405	(282,405)
Benefit payments, including refunds of employee contributions	(61,244)	(61,244)	-
Administrative expense		(1,595)	1,595
Other changes		(48)	48
Net changes	<u>145,862</u>	<u>282,983</u>	<u>(137,121)</u>
Balance at 12/31/19	<u>\$ 2,012,929</u>	<u>\$ 2,108,872</u>	<u>\$ (95,943)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability 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 in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 132,194	\$ (95,943)	\$ (290,157)

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 18
September 30, 2020

Note H: TMRS-Pension Plan (continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2020, the city recognized pension expense of \$38,271.

At September 30, 2020, 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	\$ 32,984	\$ 10,416
Changes in actuarial assumptions	\$ 1,227	\$ -
Difference between projected and actual investment earnings	\$ -	\$ 62,164
Contributions subsequent to the measure date December 31, 2019	<u>\$ 30,992</u>	<u>\$ -</u>
Total	\$ 65,203	\$ 72,580

\$30,992 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2020	\$ (14,444)
2021	(6,551)
2022	14,459
2023	(31,833)
2024	-
Thereafter	<u>-</u>
Total	\$ (38,369)

Note I: Supplemental Death Benefits Plan

1. Plan Description

The City participates in the single-employer unfunded defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

2. OPEB Plan Fiduciary Net Position

Detailed information about the fiduciary net position of the Supplemental Death Benefits Fund is available in the separately-issued TMRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.tmr.com> or by writing to TMRS at P.O. Box 149153, Austin, TX 78714-9153.

3. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retiree is considered an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	9
Total	13

4. Contributions

The City contributes to the SDBF monthly based on the covered payroll of employee members. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers.

CITY OF PLAINS
Plains, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 20
September 30, 2020

Note I: Supplemental Death Benefits Plan (continued)

As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

	<u>Contribution Rates</u>	
City	<u>2019</u>	<u>2020</u>
	0.23%	0.22%
Current Fiscal Year Employer Contributions	\$ 899	

5. Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Summary of Actuarial Methods and Assumptions

Valuation Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount Rate*	2.75%*
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

CITY OF PLAINS
Plains, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 21
September 30, 2020

Note I: Supplemental Death Benefits Plan (continued)

6. Discount Rate

As of December 31, 2019, the discount rate used in the development of the Total OPEB Liability was 2.75% compared to 3.71% as of December 31, 2018. In accordance with GASB No. 75, paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. The projection of cash flows used to determine the discount rate assumed that contributions are made at the actuarially determined rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2019.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.71%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	\$ 34,495	\$ 28,285	\$ 23,448

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At September 30, 2020, the City reported a liability of \$28,285 for total OPEB liability. The total OPEB liability was measured as of December 31, 2019 by an actuarial valuation as of that date.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

As of December 31, 2019, the discount rate used in the development of the Total OPEB Liability was 2.75% compared to 3.71% as of December 31, 2018. Beginning with the December 31, 2019 actuarial valuation, mortality rates are based on the 2019 Municipal Retirees of Texas Mortality Tables. Prior to the December 31, 2019 actuarial valuation, mortality rates were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment.

For the year ended September 30, 2020, the City recognized OPEB expense of \$3,578.

CITY OF PLAINS
Plains, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 22
September 30, 2020

Note I: Supplemental Death Benefits Plan (continued)

Change in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/18	\$ 17,351
Changes for the year:	
Service cost	955
Interest	660
Change of benefit terms	
Difference between expected and actual experience	4,127
Changes of assumptions	5,265
Benefit payments, including refunds of employee contributions	(73)
Other changes	
Net changes	<u>10,934</u>
Balance at 12/31/19	<u>\$ 28,285</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 5,047	\$ -
Changes in actuarial assumptions	\$ 5,003	\$ 936
Difference between projected and actual investment earnings	\$ -	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>\$ -</u>	<u>\$ -</u>
Total as of Dec. 31, 2018 measurement date	\$ 10,050	\$ 936
Contributions paid to TRS subsequent to the measurement date	<u>\$ 659</u>	<u>\$ -</u>
Total as of fiscal year-end	<u>\$ 10,709</u>	<u>\$ 936</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended December 31:</u>	<u>OPEB Expense Amount</u>
2020	\$ 1,963
2021	1,963
2022	1,963
2023	1,935
2024	1,290
Thereafter	-

CITY OF PLAINS
Plains, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23
Year Ended September 30, 2020

Note I: Litigation

There was no litigation pending or in progress against the City at September 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PLAINS
Plains, Texas

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended September 30, 2020

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Property Taxes (Including Penalty and Interest)	\$ 153,000	\$ 157,561	\$ 4,561
Sales Taxes	135,000	127,965	(7,035)
Franchise Taxes	20,000	23,191	3,191
Investment	15,000	29,687	14,687
Intergovernmental	120,000	105,268	(14,732)
Donations	16,000	26,346	10,346
Ambulance	25,000	30,816	5,816
Grant Revenues	12,674	12,674	-
Miscellaneous	15,450	45,099	29,649
<u>Total Revenues</u>	<u>512,124</u>	<u>558,607</u>	<u>46,483</u>
<u>Expenditures</u>			
<u>Current</u>			
General Administration	223,449	219,020	4,429
General Service	23,504	23,354	150
Court and Code Enforcement	15,700	14,798	902
Streets and Service	21,500	15,620	5,880
Fire Department	72,387	72,171	216
Health and Welfare	180,023	157,129	22,894
Capital Outlay	70,000	45,478	24,522
<u>Total Expenditures</u>	<u>606,563</u>	<u>547,570</u>	<u>58,993</u>
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In (Out)	210,000	143,924	(66,076)
<u>Total Other Financing Sources (Uses)</u>	<u>210,000</u>	<u>143,924</u>	<u>(66,076)</u>
<u>Excess of Revenues and Other Sources</u>			
<u>Over (Under) Expenditures and Other Uses</u>	115,561	154,961	39,400
Fund Balance, Beginning of Year	1,411,539	1,411,539	-
<u>Fund Balance, End of Year</u>	<u>\$ 1,527,100</u>	<u>\$ 1,566,500</u>	<u>\$ 39,400</u>

CITY OF PLAINS
Plains, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET
AND RELATED RATIOS - TMRS
(unaudited)

	Measurement Year					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 44,209	\$ 51,650	\$ 55,064	\$ 52,896	\$ 44,504	\$ 42,184
Interest (on the Total Pension Liability)	125,452	119,100	115,408	105,645	98,848	90,987
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	35,764	12,246	(37,827)	25,383	4,592	5,124
Change of assumptions	1,681	-	-	-	34,417	-
Benefit payments, including refunds of employee contributions	<u>(61,244)</u>	<u>(109,098)</u>	<u>(43,378)</u>	<u>(37,358)</u>	<u>(29,786)</u>	<u>(24,503)</u>
Net change in Total Pension Liability	145,862	73,898	89,267	146,566	152,575	113,792
Total Pension Liability - Beginning	<u>1,867,067</u>	<u>1,793,169</u>	<u>1,703,902</u>	<u>1,557,336</u>	<u>1,404,761</u>	<u>1,290,969</u>
Total Pension Liability - Ending (a)	<u>\$ 2,012,929</u>	<u>\$ 1,867,067</u>	<u>\$ 1,793,169</u>	<u>\$ 1,703,902</u>	<u>\$ 1,557,336</u>	<u>\$ 1,404,761</u>
Plan Fiduciary Net Position						
Contributions - employer	37,741	36,477	38,008	36,754	33,241	32,533
Contributions - employee	25,724	24,815	25,731	24,834	22,460	21,970
Net investment income	282,405	(57,934)	233,054	104,981	2,252	81,006
Benefit payments, including refunds of employee contributions	(61,244)	(109,098)	(43,378)	(37,358)	(29,786)	(24,503)
Administrative expense	(1,595)	(1,119)	(1,207)	(1,185)	(1,371)	(846)
Other	<u>(48)</u>	<u>(59)</u>	<u>(61)</u>	<u>(64)</u>	<u>(68)</u>	<u>(70)</u>
Net Change in Plan Fiduciary Net Position	282,983	(106,918)	252,147	127,962	26,728	110,090
Plan Fiduciary Net Position - Beginning	<u>1,825,889</u>	<u>1,932,807</u>	<u>1,680,661</u>	<u>1,552,699</u>	<u>1,525,971</u>	<u>1,415,881</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,108,872</u>	<u>\$ 1,825,889</u>	<u>\$ 1,932,808</u>	<u>\$ 1,680,661</u>	<u>\$ 1,552,699</u>	<u>\$ 1,525,971</u>
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (95,943)	\$ 41,178	\$ (139,639)	\$ 23,241	\$ 4,637	\$ (121,210)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.77%	97.79%	107.79%	98.64%	99.70%	108.63%
Covered Employee Payroll	\$ 367,489	\$ 354,494	\$ 367,584	\$ 354,772	\$ 320,864	\$ 313,859
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	-26.11%	11.62%	-37.99%	6.55%	1.45%	-38.62%

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS - TMRS
(*unaudited*)

	Measurement Year		
	2019	2018	2017
Total OPEB Liability			
Service Cost	\$ 955	\$ 1,099	\$ 992
Interest (on the Total OPEB Liability)	660	507	480
Changes of benefit terms	-	-	-
Difference between expected and actual experience	4,127	2,321	-
Change of assumptions	5,265	(1,322)	1,176
Benefit payments, including refunds of employee contributions	(73)	(71)	(74)
Net change in Total OPEB Liability	10,934	2,534	2,574
Total OPEB Liability - Beginning	17,351	14,817	12,243
Total OPEB Liability - Ending	<u>\$ 28,285</u>	<u>\$ 17,351</u>	<u>\$ 14,817</u>
Covered Employee Payroll	\$ 367,489	\$ 354,494	\$ 367,584
Total OPEB Liability/(Asset) as a Percentage of Covered Payroll	7.70%	4.89%	4.03%

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS PENSION
(unaudited)

	Fiscal Year					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 19,588	\$ 23,965	\$ 28,028	\$ 25,297	\$ 19,886	\$ 19,572
Contributions in relation to the actuarially determined contribution	<u>41,724</u>	<u>35,820</u>	<u>37,689</u>	<u>37,650</u>	<u>35,423</u>	<u>33,532</u>
Contribution (deficiency) excess	<u>\$ 22,136</u>	<u>\$ 11,855</u>	<u>\$ 9,661</u>	<u>\$ 12,353</u>	<u>\$ 15,537</u>	<u>\$ 13,960</u>
Covered employee payroll	\$ 405,932	\$ 348,590	\$ 364,380	\$ 363,922	\$ 341,908	\$ 323,655
Contributions as a percentage of covered employee payroll	10.28%	10.28%	10.34%	10.35%	10.36%	10.36%

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS OPEB
(unaudited)

	Fiscal Year		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 904	\$ 782	\$ 565
Contributions in relation to the actuarially determined contribution	<u>904</u>	<u>782</u>	<u>565</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 405,932	\$ 348,590	\$ 364,380
Contributions as a percentage of covered employee payroll	0.22%	0.22%	0.16%

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2020

Schedule of Contributions for Pensions – TMRS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

CITY OF PLAINS
Plains, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2020

Schedule of Contributions for OPEB – TMRS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method

Entry Age Normal

Asset Valuation

For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

Inflation

2.5%

Salary Increases

3.50% to 11.5% including inflation

Discount Rate*

2.75%

Retirees' share of benefit-related costs

0\$

Administrative expenses

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Mortality rates – service retirees

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

Mortality rates – disabled retirees

2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF PLAINS
Plains, Texas

COMBINING STATEMENT OF NET POSITION -- ALL ENTERPRISE FUNDS
September 30, 2020

	Water	Gas	Sewer	Garbage	TOTALS (Memorandum Only)	
					September 30, 2020	September 30, 2019
ASSETS						
<u>Current Assets:</u>						
Cash in Bank	\$ 15,487	\$ 32,020	\$ -	\$ -	\$ 47,507	\$ 46,997
Time Deposits - Restricted	-	60,000	-	-	60,000	60,000
Accounts Receivable	41,827	7,937	13,486	19,447	82,697	83,191
Allowance for Uncollectible Due from Other Governments	(616)	(365)	(324)	(314)	(1,619)	(1,143)
Notes Receivable - Current	12,000	-	-	-	12,000	12,000
<u>Total Current Assets</u>	<u>68,698</u>	<u>99,592</u>	<u>13,162</u>	<u>19,133</u>	<u>200,585</u>	<u>201,045</u>
<u>Noncurrent Assets:</u>						
Notes Receivable - noncurrent	120,840	-	-	-	120,840	133,840
Net Pension Asset	20,616	20,673	19,107	8,614	69,010	-
Land	268,970	750	1,250	36,750	307,720	307,720
Construction in Progress	148,385	-	-	-	148,385	136,850
Buildings and Improvements, net	5	15	3	3	26	35
Utility Systems & Equipment, net	913,505	116,723	568,711	-	1,598,939	1,728,550
Furniture & Equipment, net	3,454	3,454	3,454	189,237	199,599	42,963
<u>Total Noncurrent Assets</u>	<u>1,475,775</u>	<u>141,615</u>	<u>592,525</u>	<u>234,604</u>	<u>2,444,519</u>	<u>2,349,958</u>
TOTAL ASSETS	\$ 1,544,473	\$ 241,207	\$ 605,687	\$ 253,737	\$ 2,645,104	\$ 2,551,003
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows - Lease Contract	-	-	4,969	-	4,969	7,026
Deferred Outflows - Pension	16,422	16,369	14,834	6,895	54,520	110,529
Deferred Outflows - OPEB	2,251	2,249	2,057	879	7,436	2,344
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>18,673</u>	<u>18,618</u>	<u>21,860</u>	<u>7,774</u>	<u>66,925</u>	<u>119,899</u>
LIABILITIES:						
<u>Current Liabilities</u>						
Accounts Payable	\$ 758	\$ 2,635	\$ 9,522	\$ 164	\$ 13,079	\$ 16,308
<u>Noncurrent Liabilities</u>						
Customer Deposits	17,680	36,555	-	2,450	56,685	55,285
Net Pension Liability	-	-	-	-	-	26,342
Net OPEB Liability	5,964	5,961	5,471	2,274	19,670	12,043
Due within one year	-	-	-	23,744	23,744	-
Due in more than one year	-	-	-	70,468	70,468	-
<u>TOTAL LIABILITIES</u>	<u>24,402</u>	<u>45,151</u>	<u>14,993</u>	<u>99,100</u>	<u>183,646</u>	<u>109,978</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows - Pension	15,481	15,492	14,195	6,097	51,265	14,391
Deferred Inflows - OPEB	194	193	175	71	633	768
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>15,675</u>	<u>15,685</u>	<u>14,370</u>	<u>6,168</u>	<u>51,898</u>	<u>15,159</u>
NET POSITION						
Restricted - Collateralized Deposits	-	60,000	-	-	60,000	60,000
Net investment in capital assets	1,334,319	120,942	573,418	131,778	2,160,457	2,216,118
Unrestricted	188,750	18,047	24,766	24,465	256,028	269,647
<u>TOTAL NET POSITION</u>	<u>1,523,069</u>	<u>198,989</u>	<u>598,184</u>	<u>156,243</u>	<u>2,476,485</u>	<u>2,545,765</u>

CITY OF PLAINS
Plains, Texas

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION--
ALL ENTERPRISE FUNDS
For the Year Ended September 30, 2020

	Water	Gas	Sewer	Garbage	TOTALS (Memorandum Only)	
					September 30, 2020	September 30, 2019
<u>Operating Revenues</u>						
Sales	\$ 417,388	\$ 252,295	\$ 144,943	\$ 219,233	\$ 1,033,859	\$ 1,031,231
Penalties	6,022	3,634	2,091	3,163	14,910	13,924
Tap Fees	564	340	196	-	1,100	6,351
Miscellaneous	-	-	-	-	-	5,880
<u>Total Operating Revenues</u>	<u>423,974</u>	<u>256,269</u>	<u>147,230</u>	<u>222,396</u>	<u>1,049,869</u>	<u>1,057,386</u>
<u>Operating Expenses</u>						
Cost of Sales	35,413	90,530	12,712	42,186	180,841	206,884
Salaries	89,422	89,234	81,729	57,001	317,386	267,782
Payroll Taxes	1,942	1,938	1,839	2,756	8,475	6,079
Retirement Costs	8,923	8,907	8,078	3,664	29,572	45,906
Supplies	832	809	514	515	2,670	1,085
Repairs & Maintenance	43,027	17,456	41,091	36,597	138,171	119,306
Utilities & Fuel	2,828	2,879	26,942	13,381	46,030	40,170
Employee Expenses and Training	990	476	282	318	2,066	11,282
Insurance	17,406	16,412	16,535	17,025	67,378	66,314
Depreciation	91,908	15,464	47,836	20,041	175,249	180,842
Professional Fees	-	6,350	-	-	6,350	3,605
Miscellaneous	45	-	-	-	45	200
<u>Total Operating Expenses</u>	<u>292,736</u>	<u>250,455</u>	<u>237,558</u>	<u>193,484</u>	<u>974,233</u>	<u>949,455</u>
<u>Operating Income (Loss) Before</u>						
<u>Operating Transfers</u>	<u>131,238</u>	<u>5,814</u>	<u>(90,328)</u>	<u>28,912</u>	<u>75,636</u>	<u>107,931</u>
<u>Non-Operating Revenues (Expenses)</u>						
Interest Expense	-	-	-	(992)	(992)	(400)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(992)</u>	<u>(992)</u>	<u>(400)</u>
<u>Transfers and Capital Contributions</u>						
Capital Contributions - CDBG Grant	-	-	-	-	-	-
Transfers In (Out)	(215,835)	(21,900)	45,162	48,649	(143,924)	(214,529)
<u>Total Transfers and Capital Contributions</u>	<u>(215,835)</u>	<u>(21,900)</u>	<u>45,162</u>	<u>48,649</u>	<u>(143,924)</u>	<u>(214,529)</u>
Net Income (Loss)	(84,597)	(16,086)	(45,166)	76,569	(69,280)	(106,998)
NET POSITION						
Net Position, Beginning of Year	1,607,666	215,075	643,350	79,674	2,545,765	2,652,763
Prior Period Adjustment	-	-	-	-	-	-
Net Position, End of Year	<u>1,523,069</u>	<u>198,989</u>	<u>598,184</u>	<u>156,243</u>	<u>2,476,485</u>	<u>2,545,765</u>

CITY OF PLAINS
Plains, Texas

COMBINING STATEMENT OF CASH FLOWS -- ALL ENTERPRISE FUNDS
For the Year Ended September 30, 2020

					TOTALS (Memorandum Only)	
	Water	Gas	Sewer	Garbage	September 30, 2020	September 30, 2019
<u>Cash Flows from Operating Activities:</u>						
Receipts from Customers	429,977	257,128	144,592	220,542	1,052,239	1,046,260
Payments to Suppliers	(105,254)	(134,674)	(87,068)	(117,727)	(444,723)	(451,899)
Payments to Employees	(100,304)	(100,093)	(91,703)	(63,402)	(355,502)	(298,778)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>224,419</u>	<u>22,361</u>	<u>(34,179)</u>	<u>39,413</u>	<u>252,014</u>	<u>295,583</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>						
Operating Transfers	(215,835)	(21,900)	45,162	48,649	(143,924)	(214,529)
<u>Net Cash Provided (Used) by Non-Capital Financing Activities</u>	<u>(215,835)</u>	<u>(21,900)</u>	<u>45,162</u>	<u>48,649</u>	<u>(143,924)</u>	<u>(214,529)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>						
Acquisition of Fixed Assets	(21,535)	-	(10,983)	(181,282)	(213,800)	(76,395)
Proceeds from Debt Acquired for Fixed Assets	-	-	-	100,000	100,000	-
Payments on Debt Acquired for Fixed Assets	-	-	-	(6,780)	(6,780)	(14,498)
Payments Received from Notes Receivable	13,000	-	-	-	13,000	11,000
<u>Net Cash Provided (Used) by Capital & Related Financing Activities</u>	<u>(8,535)</u>	<u>-</u>	<u>(10,983)</u>	<u>(88,062)</u>	<u>(107,580)</u>	<u>(79,893)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	49	461	-	-	510	1,161
Cash & Cash Equivalents--Beginning of Year	15,438	91,559	-	-	106,997	105,836
<u>Cash & Cash Equivalents--End of Year</u>	<u>15,487</u>	<u>92,020</u>	<u>-</u>	<u>-</u>	<u>107,507</u>	<u>106,997</u>
Reconciliation of Operating Income (Loss) to						
Net Cash Flows from Operating Activities:						
Operating Income (Loss)	\$ 131,238	\$ 5,814	\$ (90,328)	\$ 28,912	\$ 75,636	\$ 107,931
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:						
Depreciation	91,908	15,464	47,836	20,041	175,249	180,842
(Increase) Decrease in Net Pension Asset/Liability	(28,761)	(28,696)	(26,166)	(11,729)	(95,352)	123,094
(Increase) Decrease in Deferred Inflows/Outflows Pensions	28,020	27,959	25,448	11,456	92,883	(103,346)
(Increase) Decrease in Net OPEB Asset/Liability	2,299	2,299	2,104	925	7,627	1,724
(Increase) Decrease in Deferred Inflows/Outflows OPEB	(1,575)	(1,576)	(1,443)	(633)	(5,227)	(483)
(Increase) Decrease in Deferred Lease Payments	-	-	2,057	-	2,057	2,057
(Increase) Decrease in Receivables	5,728	(116)	(2,638)	(2,004)	970	(15,558)
Increase (Decrease) in Liabilities	(4,438)	1,213	8,951	(7,555)	(1,829)	(678)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>224,419</u>	<u>22,361</u>	<u>(34,179)</u>	<u>39,413</u>	<u>252,014</u>	<u>295,583</u>

CITY OF PLAINS
Plains, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended September 30, 2020

Years Ended September 30	Tax Rate Per \$100 Value	Assessed/Appraised Value for Tax Purposes	Balance 10/01/19	Add: Current Levy	Less: Collections	Total Year's Adjustments	Balance 09/30/20
2011 and Prior	\$ --	\$ --	\$ 5	\$ -	\$ -	\$ -	\$ 5
2012	0.436611	26,510,097	5	-	-	-	5
2013	0.418327	28,493,021	-	-	-	-	-
2014	0.404300	30,450,655	33	-	-	-	33
2015	0.389426	33,115,663	226	-	-	-	226
2016	0.371468	36,144,971	353	-	71	-	282
2017	0.371468	37,293,657	547	-	185	-	362
2018	0.360456	39,018,355	1,129	-	253	-	876
2019	0.350092	42,299,453	3,187	-	1,525	(144)	1,518
2020	0.357907	44,351,186	-	158,736	153,381	(2,146)	3,209
<u>Totals</u>			<u>\$ 5,485</u>	<u>\$ 158,736</u>	<u>\$ 155,415</u>	<u>\$ (2,290)</u>	<u>\$ 6,516</u>

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Independent Auditors' Report

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

To the Honorable Mayor and City Council
City of Plains, Texas
P.O. Box 550
Plains, Texas 79355

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Plains, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Plains' basic financial statements, and have issued our report thereon dated January 11, 2021.

Internal Control Over Financial Reporting

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

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



Independent Auditors' Report
Page 2

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

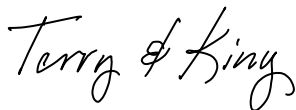
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Terry & King".

Terry & King, CPAs, P.C.
Lubbock, Texas
January 11, 2021