

**CITY OF GEORGE WEST, TEXAS**

**ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2020**



CITY OF GEORGE WEST  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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CITY OF GEORGE WEST

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

ANDREW GARZA

MAYOR PRO-TERM

JEARL RANNEFELD

CITY COUNCIL

JOHN WALKER

PATRICIA CLIFTON

TIM HUMPHREY

CITY MANAGER, INTERIM

SHIRLEY HOLM

CITY SECRETARY

D'ANN LANE

CITY ATTORNEY

EPIMENIO YSASSI



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
Members of the City Council  
City of George West

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and aggregate remaining fund information for the City of George West, 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, Schedule of Changes -- Net Pension Liability and Related Ratios, the Schedule of Employer Contributions and the Schedule of Changes -- Other Post Employment Benefits (OPEB) as listed 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 (GASB), 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 George West's basic financial statements as a whole. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements are the responsibility of management and were derived from and relates 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, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Armstrong, Vaughan & Associates, P.C.*

Armstrong, Vaughan & Associates, P.C.  
March 26, 2021



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of George West's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

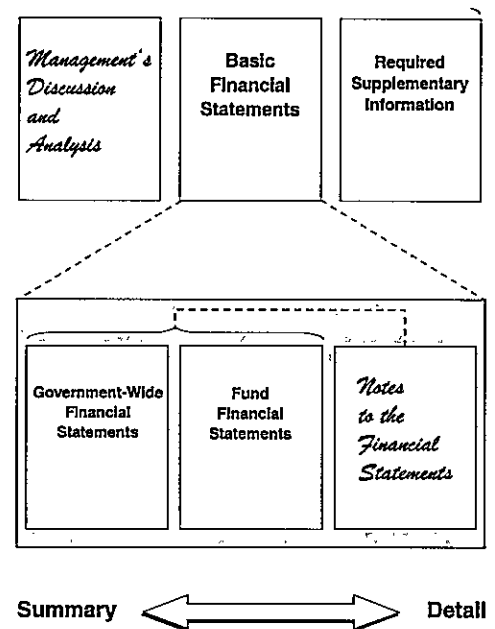
- The City's total combined net position was \$4.0 million at September 30, 2020.
- The general fund reported a deficit fund balance this year of \$49.5 thousand of which a deficit of \$54 thousand is unassigned.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

Figure A-1F, Required Components of the City's Annual Financial Report



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



Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
Type of Statements	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities of the City that operate similar to private businesses: sewer
Required financial statements	• Statement of net position	• Balance Sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, & changes in net position
			• Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

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

### Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.
- The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes and charges for services finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

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

The City has the following kinds of funds:

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

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$4.0 million at September 30, 2020. (See Table A-1).

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2020	2019	2020	2019	2020	2019	
<i>Assets:</i>							
Current Assets	\$ 618,321	\$ 913,440	\$ 997,940	\$ 912,543	\$ 1,616,261	\$ 1,825,983	(11.5)
Non-Current Assets	1,586,002	1,240,430	3,700,171	3,640,103	5,286,173	4,880,533	8.3
<i>Total Assets</i>	<u>2,204,323</u>	<u>2,153,870</u>	<u>4,698,111</u>	<u>4,552,646</u>	<u>6,902,434</u>	<u>6,706,516</u>	2.9
<i>Deferred Outflows:</i>							
Deferred Pension/OPEB Related Outflows	56,152	129,468	36,101	14,571	92,253	144,039	(36.0)
<i>Liabilities:</i>							
Current Liabilities	271,514	231,029	372,014	373,648	643,528	604,677	6.4
Long-Term Liabilities	911,631	1,117,357	1,248,325	1,385,353	2,159,956	2,502,710	(13.7)
<i>Total Liabilities</i>	<u>1,183,145</u>	<u>1,348,386</u>	<u>1,620,339</u>	<u>1,759,001</u>	<u>2,803,484</u>	<u>3,107,387</u>	(9.8)
<i>Deferred Inflows:</i>							
Deferred Pension/OPEB Related Inflows	118,449	121,846	60,785	22,047	179,234	143,893	24.6
<i>Net Position:</i>							
Invested in Capital Assets	322,082	204,294	2,378,171	2,192,953	2,700,253	2,397,247	12.6
Restricted	826,548	583,553	-	-	826,548	583,553	41.6
Unrestricted	(189,749)	25,259	674,917	593,216	485,168	618,475	(21.6)
<i>Total Net Position</i>	<u>\$ 958,881</u>	<u>\$ 813,106</u>	<u>\$ 3,053,088</u>	<u>\$ 2,786,169</u>	<u>\$ 4,011,969</u>	<u>\$ 3,599,275</u>	11.5

The unrestricted net position represents resources available to fund the programs of the City next year.

## Governmental Activities

- Sales tax decreased by \$49 thousand. Charges for service decreased by \$91 thousand due to income from drug forfeiture funds received.
- A significant portion of the revenue, 78% comes from taxes, and 8% is received through charges for services.

**Table A-2**  
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2020	2019	2020	2019	2020	2019	
<i>Program Revenues:</i>							
Charges for Services	\$ 185,392	\$ 276,889	\$ 1,948,026	\$ 1,872,946	\$ 2,133,418	\$ 2,149,835	(0.8)
Operating & Capital Grants	298,546	60,680	290,156	36,429	588,702	97,109	506.2
<i>General Revenues:</i>							
Taxes	1,802,361	1,815,531	-	-	1,802,361	1,815,531	(0.7)
Interest Earnings	2,014	1,615	244	240	2,258	1,855	21.7
Miscellaneous	9,489	50,506	2,403	3,694	11,892	54,200	(78.1)
<i>Total Revenues</i>	<u>2,297,802</u>	<u>2,205,221</u>	<u>2,240,829</u>	<u>1,913,309</u>	<u>4,538,631</u>	<u>4,118,530</u>	10.2
<i>Program Expenses:</i>							
General Administration	435,564	652,545	-	-	435,564	652,545	(33.3)
Public Safety	1,119,614	841,609	-	-	1,119,614	841,609	33.0
Street Maintenance	177,330	204,629	-	-	177,330	204,629	(13.3)
Culture and Recreation	188,534	188,776	-	-	188,534	188,776	(0.1)
Water	-	-	503,610	462,085	503,610	462,085	9.0
Gas	-	-	506,256	380,452	506,256	380,452	33.1
Sewer	-	-	535,356	351,686	535,356	351,686	52.2
Garbage	-	-	591,753	516,625	591,753	516,625	14.5
Depreciation	-	-	-	289,093	-	289,093	(100.0)
Interest on Debt	42,920	36,842	24,999	44,043	67,919	80,885	(16.0)
<i>Total Expenses</i>	<u>1,963,962</u>	<u>1,924,401</u>	<u>2,161,975</u>	<u>2,043,984</u>	<u>4,125,937</u>	<u>3,968,385</u>	4.0
Transfers In (Out)	(188,065)	(171,684)	188,065	171,684	-	-	0.0
<i>Change in Net Position</i>	<u>\$ 145,775</u>	<u>\$ 109,136</u>	<u>\$ 266,919</u>	<u>\$ 41,009</u>	<u>\$ 412,694</u>	<u>\$ 150,145</u>	174.9

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars. The cost of all *governmental* activities this year was \$2 million. Taxpayers paid for 40% of these activities through property taxes of \$797 thousand.

**Table A-3**  
Net Cost of Selected City Functions

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2020	2019		2020	2019	
<i>Governmental Activities:</i>						
General Administration	\$ 435,564	\$ 652,545	(33.3)	\$ 417,432	\$ 579,934	(28.0)
Public Safety	1,119,614	841,609	33.0	677,483	609,850	11.1
Street Maintenance	177,330	204,629	(13.3)	158,652	176,950	(10.3)
Culture and Recreation	188,534	188,776	(0.1)	183,537	183,256	0.2
<i>Total Governmental Activities</i>	<u>\$ 1,921,042</u>	<u>\$ 1,887,559</u>	1.8	<u>\$ 1,437,104</u>	<u>\$ 1,549,990</u>	(7.3)
<i>Business-type Activities:</i>						
Water	\$ 503,610	\$ 462,085	9.0	\$ 60,763	\$ 69,835	(13.0)
Gas	506,256	380,452	33.1	(256,102)	(93,938)	172.6
Sewer	535,356	351,686	52.2	257,109	201,284	27.7
Garbage	591,753	499,354	18.5	39,437	21,346	84.8
<i>Total Business-Type Activities</i>	<u>\$ 2,136,976</u>	<u>\$ 1,693,577</u>	26.2	<u>\$ 101,206</u>	<u>\$ 198,527</u>	(49.0)

## Business-Type Activities

Revenues of the City's Utility business-type activities increased 19% to \$2.2 million, and operating expenses increased 16.2% to \$2.2 million. Revenues are based on the City's established rates and fluctuations in expenses are primarily related to changes in usage throughout the City.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$2.3 million. The \$68.3 thousand decrease from prior year is a \$50 thousand decrease in sales tax and \$26 thousand decrease in fines and penalties as well as a \$58 thousand decrease in miscellaneous. Ad Valorem taxes increase \$49 thousand.

## Budgetary Highlights

The City's actual expenditures in the General Fund were \$71 thousand more than the budgeted amounts and revenues were \$195 thousand less than budgeted amounts. Municipal fines, sales tax and property taxes made up the majority of the budget variance.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2020, the City had invested \$4.8 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

**Table A-4**  
City's Capital Assets  
(in thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	
Land	\$ 17	\$ 17	\$ 24	\$ 24	\$ 41	\$ 41	0.0
Buildings and Improvements	961	961	137	137	1,098	1,098	(0.0)
Equipment	1,678	1,539	1,216	1,118	2,894	2,657	8.9
Infrastructure	598	598	-	-	598	598	0.0
Utility System	-	-	8,140	7,892	8,140	7,892	3.1
Totals at Historical Cost	3,254	3,115	9,517	9,171	12,771	12,286	3.9
Total Accumulated Depreciation	(2,110)	(2,042)	(5,817)	(5,531)	(7,927)	(7,573)	4.7
Net Capital Assets	<u>\$ 1,144</u>	<u>\$ 1,073</u>	<u>\$ 3,700</u>	<u>\$ 3,640</u>	<u>\$ 4,844</u>	<u>\$ 4,713</u>	2.8

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

## Long Term Debt

At year-end, the City had bonds of \$2.1 million outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

**Table A-5**  
City's Long-Term Debt  
(in thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	
Bonds Payable	\$ 822	\$ 869	\$ 1,322	\$ 1,447	\$ 2,144	\$ 2,316	(7.4)
Total Long-Term Debt	\$ 822	\$ 869	\$ 1,322	\$ 1,447	\$ 2,144	\$ 2,316	(7.4)

*General Obligation Refunding Bonds, Series 2020*, were issued in the amount of \$1,644,000 to repay the Certificate of Obligation bonds issued in 2004 and 2012. Proceeds from the bonds were placed with an escrow agent solely to repay the debt service related to the refunded obligations. The refunded obligation in the amount of \$1,610,000, collectively, are considered defeased and are not shown as outstanding on these financial statements. The refunding resulted in gross debt service savings of \$136,753, and a present value gain of \$119,684.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2021 budget, tax rates, and fees that will be charged. The economic outlook for Live Oak County remains stable. The City's budget levels remain similar to previous years.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at (391) 449-1556.

## BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
  - Governmental Funds
  - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF GEORGE WEST  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 373,289	\$ 674,047	\$ 1,047,336
Receivables (net of allowances for uncollectibles):			
Ad Valorem Taxes	107,692	-	107,692
Other	175,668	285,565	461,233
Internal Balances	(38,328)	38,328	-
Restricted Assets:			
Cash and Cash Equivalents	441,920	-	441,920
Capital Assets:			
Land	17,210	24,029	41,239
Buildings and Improvements	961,402	137,179	1,098,581
Vehicles and Equipment	1,677,784	1,215,881	2,893,665
Infrastructure	598,125	-	598,125
Utility System	-	8,139,805	8,139,805
Accumulated Depreciation	(2,110,439)	(5,816,723)	(7,927,162)
<b>TOTAL ASSETS</b>	<u>2,204,323</u>	<u>4,698,111</u>	<u>6,902,434</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred OPEB Related Outflows	9,166	4,513	13,679
Deferred Pension Related Outflows	46,986	31,588	78,574
<b>TOTAL DEFERRED OUTFLOWS     OF RESOURCES</b>	<u>\$ 56,152</u>	<u>\$ 36,101</u>	<u>\$ 92,253</u>

See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
STATEMENT OF NET POSITION (CONTINUED)  
SEPTEMBER 30, 2020

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Accounts Payable	\$ 70,411	\$ 96,432	\$ 166,843
Withdrawals in Excess of Deposits	64,891	-	64,891
Accrued Wages	25,246	14,103	39,349
Compensated Absences	34,466	11,962	46,428
Accrued Interest	-	6,415	6,415
Customer Deposits	-	87,602	87,602
<i>Noncurrent Liabilities:</i>			
Bonds and Capital Leases Payable Within One Year	76,500	155,500	232,000
Bonds and Capital Leases Payable	745,500	1,166,500	1,912,000
Net Pension Liability	116,499	57,380	173,879
Total OPEB Liability	49,632	24,445	74,077
<b>TOTAL LIABILITIES</b>	<u>1,183,145</u>	<u>1,620,339</u>	<u>2,803,484</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Related Inflows	113,460	58,328	171,788
Deferred OPEB Related Inflows	4,989	2,457	7,446
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>118,449</u>	<u>60,785</u>	<u>179,234</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	322,082	2,378,171	2,700,253
Restricted for:			
Public Education Fund	4,242	-	4,242
Debt Service	252,544	-	252,544
Municipal Court/Police	414,074	-	414,074
Tourism	155,688	-	155,688
Unrestricted, Deficit	(189,749)	674,917	485,168
<b>TOTAL NET POSITION</b>	<u>\$ 958,881</u>	<u>\$ 3,053,088</u>	<u>\$ 4,011,969</u>

See accompanying notes to basic financial statements.



CITY OF GEORGE WEST  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Program Revenues		
Functions and Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Administration	\$ 435,564	\$ 18,132	\$ -	\$ -
Public Safety	1,119,614	143,585	298,546	-
Street Maintenance	177,330	18,678	-	-
Culture and Recreation	188,534	4,997	-	-
Interest on Long-term Debt	42,920	-	-	-
Total Governmental Activities	1,963,962	185,392	298,546	-
Business-Type Activities:				
Water	503,610	564,373	-	-
Gas	506,256	250,154	-	-
Sewer	535,356	502,309	-	290,156
Garbage	591,753	631,190	-	-
Interest on Long-term Debt	24,999	-	-	-
Total Business-Type Activities	2,161,975	1,948,026	-	290,156
Total Primary Government	\$ 4,125,937	\$ 2,133,418	\$ 298,546	\$ 290,156
General Revenues:				
Taxes				
Ad Valorem Taxes				
Franchise Taxes				
Sales Taxes				
Hotel Occupancy Tax				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position  
Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (417,432)	\$ -	\$ (417,432)
(677,483)	-	(677,483)
(158,652)	-	(158,652)
(183,537)	-	(183,537)
(42,920)	-	(42,920)
<u>(1,480,024)</u>	<u>-</u>	<u>(1,480,024)</u>
-	60,763	60,763
-	(256,102)	(256,102)
-	257,109	257,109
-	39,437	39,437
-	(24,999)	(24,999)
<u>-</u>	<u>76,207</u>	<u>76,207</u>
<u>(1,480,024)</u>	<u>76,207</u>	<u>(1,403,817)</u>
796,574	-	796,574
148,560	-	148,560
734,739	-	734,739
122,488	-	122,488
2,014	244	2,258
9,489	2,403	11,892
<u>1,813,864</u>	<u>2,647</u>	<u>1,816,511</u>
<u>(188,065)</u>	<u>188,065</u>	<u>-</u>
145,775	266,919	412,694
<u>813,106</u>	<u>2,786,169</u>	<u>3,599,275</u>
<u>\$ 958,881</u>	<u>\$ 3,053,088</u>	<u>\$ 4,011,969</u>

CITY OF GEORGE WEST  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

	Major Funds		Other	Total
	General	Debt Service	Nonmajor	Governmental
	Fund	Fund	Funds	Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 209,783	\$ 163,506	\$ 373,289
Receivables (net of allowances for uncollectibles):				
Property Taxes	65,975	41,717	-	107,692
Other Receivables	155,542	-	20,127	175,669
Due from Other Funds	-	1,044	24,768	25,812
Restricted Assets				
Cash and Cash Equivalents	-	-	441,920	441,920
<b>TOTAL ASSETS</b>	<u>\$ 221,517</u>	<u>\$ 252,544</u>	<u>\$ 650,321</u>	<u>\$ 1,124,382</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ 47,892	\$ -	\$ 22,519	\$ 70,411
Withdrawals in Excess of Deposits	64,891	-	-	64,891
Accrued Wages	25,246	-	-	25,246
Due To Other Funds	64,140	-	-	64,140
<i>Total Liabilities</i>	<u>202,169</u>	<u>-</u>	<u>22,519</u>	<u>224,688</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	68,828	43,634	-	112,462
<i>Total Deferred Inflows of Resources</i>	<u>68,828</u>	<u>43,634</u>	<u>-</u>	<u>112,462</u>
<i>Fund Balances:</i>				
Restricted for:				
Public Education Fund	4,242	-	-	4,242
Municipal Court/Police	-	-	414,074	414,074
Debt Service	-	208,910	-	208,910
Tourism	-	-	155,688	155,688
Assigned:				
Future Projects	-	-	58,040	58,040
Unassigned (Deficit)	(53,722)	-	-	(53,722)
<i>Total Fund Balances</i>	<u>(49,480)</u>	<u>208,910</u>	<u>627,802</u>	<u>787,232</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 221,517</u>	<u>\$ 252,544</u>	<u>\$ 650,321</u>	<u>\$ 1,124,382</u>

See accompanying notes to basic financial statements.



CITY OF GEORGE WEST  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General Fund	Debt Service Fund		
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 474,050	\$ 281,914	\$ -	\$ 755,964
Franchise Fees	148,560	-	-	148,560
Sales Taxes	734,739	-	-	734,739
Hotel Occupancy Tax	-	-	122,488	122,488
Fines and Penalties	133,631	-	240,989	374,620
Charges For Service	24,058	-	-	24,058
Grants	65,015	-	-	65,015
Licenses and Permits	18,678	-	-	18,678
Interest Income	1,875	-	134	2,009
Miscellaneous	11,059	-	-	11,059
<b>TOTAL REVENUES</b>	<u>1,611,665</u>	<u>281,914</u>	<u>363,611</u>	<u>2,257,190</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
General Administration	351,905	-	95,487	447,392
Public Safety	979,553	-	26,052	1,005,605
Street Maintenance	176,008	-	-	176,008
Culture and Recreation	177,653	-	-	177,653
Municipal Court	141,803	-	11,372	153,175
Capital Outlay	100,753	-	-	100,753
<i>Debt Service:</i>				
Principal	-	869,150	-	869,150
Interest and Fiscal Charges	-	50,838	-	50,838
<b>TOTAL EXPENDITURES</b>	<u>1,927,675</u>	<u>919,988</u>	<u>132,911</u>	<u>2,980,574</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(316,010)	(638,074)	230,700	(723,384)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt	-	822,000	-	822,000
Transfers Out	-	(188,065)	-	(188,065)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>633,935</u>	<u>-</u>	<u>633,935</u>
Net Change in Fund Balance	(316,010)	(4,139)	230,700	(89,449)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>266,530</u>	<u>213,049</u>	<u>397,102</u>	<u>876,681</u>
<b>FUND BALANCES AT END OF YEAR, Deficit</b>	<u>\$ (49,480)</u>	<u>\$ 208,910</u>	<u>\$ 627,802</u>	<u>\$ 787,232</u>

See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
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 - GOVERNMENTAL FUNDS                      \$     (89,449)

Amounts reported for governmental activities in the Statement of Activities  
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 estimated  
useful lives and reported as depreciation expense. This is the amount by which  
capital outlay exceeded depreciation. 70,637

Revenues in the Statement of Activities that do not provide current financial  
resources are not reported as revenues in the funds.  
    Property Tax Receivable 40,616

Governmental funds report required contributions to employee pensions as  
expenditures. However in the Statement of Activities the cost of the pension is  
recorded based on the actuarially determined cost of the plan. This is the amount  
that pension expense exceeded the contributions. 78,282

Governmental funds report required contributions to employee OPEB as  
expenditures. However in the Statement of Activities the cost of the OPEB is  
recorded based on the actuarially determined cost of the plan. This is the amount  
that OPEB expense exceeded the contributions. (2,025)

The issuance of long-term debt (e.g. bonds and capital leases) provides current  
financial resources to the governmental funds, while the repayment of the  
principal of long-term debt consumes the current financial resources of  
governmental funds. Neither transactions, however, has any effect on net position.  
This amount is the net effect of these differences in the treatment of long-term  
debt and related items.

Issuance of Debt	(822,000)	
Principal Payments	869,150	47,150

Some expenses reported in the Statement of Activities do not require the use of  
current financial resources and, therefore, are not reported as expenditures in  
governmental funds.

Change in Compensated Absences	(7,350)	
Change in Accrued Interest	7,914	564

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$     145,775

See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
STATEMENT OF NET POSITION – PROPRIETARY FUND  
SEPTEMBER 30, 2020

	Business-Type Activities Utility Fund
<b>ASSETS</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 674,047
Accounts Receivables - Customers (Net of Allowance for Uncollectibles)	285,565
Due From Other Funds	38,328
<i>Total Current Assets</i>	<u>997,940</u>
<i>Capital Assets:</i>	
Land	24,029
Building and Improvements	137,179
Machinery and Equipment	1,215,881
Utility System	8,139,805
Accumulated Depreciation	<u>(5,816,723)</u>
<i>Total Capital Assets, Net</i>	<u>3,700,171</u>
<i>Total Noncurrent Assets</i>	<u>3,700,171</u>
<b>TOTAL ASSETS</b>	<u>4,698,111</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred OPEB Related Outflows	4,513
Deferred Pension Related Outflows	<u>31,588</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 36,101</u>

See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
STATEMENT OF NET POSITION – PROPRIETARY FUND (CONTINUED)  
SEPTEMBER 30, 2020

	Business-Type Activities Utility Fund
<b>LIABILITIES</b>	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 96,432
Accrued Wages	14,103
Compensated Absences	11,962
Accrued Interest Payable	6,415
Customer Deposits	87,602
Current Portion of Bonds Payable	155,500
<i>Total Current Liabilities</i>	<u>372,014</u>
<i>Noncurrent Liabilities:</i>	
Bonds Payable	1,166,500
Net Pension Liability	57,380
Total OPEB Liability	24,445
<i>Total Noncurrent Liabilities</i>	<u>1,248,325</u>
<b>TOTAL LIABILITIES</b>	<u>1,620,339</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Pension Related Inflows	58,328
Deferred OPEB Related Inflows	2,457
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>60,785</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	2,378,171
Unrestricted	674,917
<b>TOTAL NET POSITION</b>	<u>\$ 3,053,088</u>

See accompanying notes to basic financial statements.



CITY OF GEORGE WEST  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR SEPTEMBER 30, 2020

	Business-Type Activities <u>Utility Fund</u>
<b>OPERATING REVENUES</b>	
Charges for Water Service	\$ 564,373
Charges for Gas Services	250,154
Charges for Sewer Service	502,309
Charges for Garbage Service	631,190
Grants and Donations	290,156
Miscellaneous Income	2,404
<b>TOTAL OPERATING REVENUES</b>	<u>2,240,586</u>
<b>OPERATING EXPENSES</b>	
Personnel	713,484
Supplies	159,347
Services and Charges	358,902
Gas Purchases	72,929
Solid Waste Costs	512,428
Depreciation	285,987
<b>TOTAL OPERATING EXPENSES</b>	<u>2,103,077</u>
<b>OPERATING INCOME (LOSS)</b>	<u>137,509</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	244
Interest Charges	(58,899)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(58,655)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	78,854
Transfers In (Out)	<u>188,065</u>
<b>NET INCOME (LOSS)</b>	266,919
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>2,786,169</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 3,053,088</u></u>

See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities <u>Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received From Customers	\$ 2,188,765
Cash Paid to Employees for Services	(688,937)
Cash Paid to Suppliers for Goods and Services	<u>(1,123,621)</u>
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>376,207</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers From (To) Primary Government	<u>188,065</u>
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>188,065</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets	(346,055)
Issuance of Long Term Debt	822,000
Principal Payments on Long-term Debt	(947,150)
Interest Paid for Financing Activities	<u>(62,915)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND AND RELATED FINANCING ACTIVITIES</b>	<u>(534,120)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment Interest Received	<u>244</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>244</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	30,396
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>643,651</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 674,047</u>
<b>Interest Paid During the Year</b>	\$ 62,915

See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities Sewer Fund
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ 137,509
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	285,987
(Increase) Decrease in Operating Assets:	
Accounts Receivable, Net	(55,001)
Deferred Outflows - OPEB	(4,310)
Deferred Pension Outflows	(17,220)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(20,015)
Accrued Wages	5,024
Compensated Absences	793
Customer Deposits	3,180
Deferred Inflows - OPEB	763
Total OPEB Liability	8,208
Deferred Pension Inflows	37,975
Net Pension Liability	(6,686)
<b>Total Adjustments to Reconcile Operating Activities</b>	<u>238,698</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 376,207</u>

See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of George West, Texas ("City") was incorporated in 1946 under the provisions of the State of Texas. The City operates under a Home Rule Charter, which was adopted October 24, 1979. The City provides the following services as authorized by its charter: police and fire protection, parks and recreation, general administrative services, and utility services.

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

**1. REPORTING ENTITY**

*Component Units*

The City has evaluated related organizations and had determined that none of them qualify as component units. These financial statements only include the financial reporting entity.

**2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund meets the criteria as *major governmental funds*.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from the investments, property taxes, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

**Governmental fund level financial statements** are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

**The General Fund** is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, police, fire, recreation, public works, municipal court and sanitation.

**The Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City has the following non-major funds: Hotel Occupancy, Court Security, Court Technology, Court Child Safety, Drug Forfeiture, Certificate of Obligation 2016, and Sports Complex.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

**Proprietary fund level financial statements** are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Utility Fund (used to account for the provision of water, gas, garbage and sewer services to residents).

The **Proprietary Fund** is accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, and government investment pools. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit which are carried at amortized cost.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. INVESTMENTS (Continued)**

The City reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool maintains a consistent net asset value per share that approximates the fair value of the underlying securities. These investments are reported at net asset value.

**6. ACCOUNTS RECEIVABLE**

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2019 and past due after January 31, 2020. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are shown net of an allowance for uncollectibles; however, presently the City estimates that all accounts are collectible.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

**7. PREPAID ITEMS**

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

**8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**9. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES**

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate section following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as deferred inflows. Unavailable revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unavailable revenue.

**10. CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, equipment, utility systems, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more and a useful live in excess of 1 year. Infrastructure assets include City-owned streets, sewer, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

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

<u>Asset</u>	<u>Estimated Life</u>
Buildings and Improvements	25 to 50 years
Vehicles and Equipment	5 to 25 years
Infrastructure	50 years
Utility System	15 to 25 years

**11. COMPENSATED ABSENCES**

Full time employees accrue 80 hours of vacation per year after completion of a 90 day probation period. Unused sick leave is not paid out on termination and is not accrued in these financial statements. Vacation leave is paid on termination and expires annually based on the calendar year. Vacation leave is accrued as incurred in the government-wide as it is expected to be paid with future financial resources.



CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**12. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt (including capital leases) and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bond. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**13. PENSIONS**

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

**14. OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY**

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and OPEB expense, information about the Total OPEB Liability of the Texas Municipal Retirement System (TMRS) and additions to/deletions from TMRS' Total OPEB Liability 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.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**15. FUND BALANCES**

In the fund financial statements, governmental funds report the following classifications of fund balance:

**Nonspendable** – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

**Restricted** - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed** - Represents amounts that can only be used for a specific purpose by a resolution of City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

**Assigned** - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. Assignments may be created by the City Council.

**Unassigned** - Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third.

**16. NET POSITION**

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**17. RECLASSIFICATIONS**

Certain reclassifications have been made to prior periods to conform to the current year presentation. These reclassifications had no effect on net position.

**18. OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**19. INTERFUND TRANSFERS**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

**20. USE OF ESTIMATES**

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

**NOTE B -- DEPOSITS AND INVESTMENTS**

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge 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.

**1. Deposits**

At September 30, 2020, all of the City's cash was fully collateralized.

**2. Investments**

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an 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 basic financial statements disclosed that in the areas of investment practices, management reports and 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 GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE B -- DEPOSITS AND INVESTMENTS (Continued)**

**2. 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 does not currently have any investments.

**3. 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 rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.
- b. Concentration of Credit Risk - The 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 a concentration of credit risk.
- c. 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.
- d. 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.
- 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.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE C -- RESTRICTED CASH**

Restricted cash for the City as of September 30, 2020 is as follows:

	Balance 9/30/2020
<i>Governmental Activities:</i>	
Special Police	\$ 251,821
Occupancy Tax	156,827
2016 Certificates of Obligation	6,326
Sports Complex Project	26,946
Total Restricted Cash	<u>\$ 441,920</u>

**NOTE D -- PROPERTY TAX CALENDAR**

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Live Oak County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2019, upon which the fiscal 2020 levy was based, was \$145,100,873 (i.e., market value less exemptions). The estimated market value was \$151,908,974, making the taxable value 96% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2020, was \$0.53490 per \$100 of assessed value, which means that the City has a tax margin of \$1.9651 for each \$100 value and could increase its annual tax levy by approximately \$2,851,377 based upon the present assessed valuation before the limit is reached. The current delinquent tax receivable for the year ended September 30, 2020 is \$115,799.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE E -- RECEIVABLES**

Receivables for the City as of September 30, 2020 are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Utility Fund
Receivables				
Property Tax	\$ 70,942	\$ 44,857	\$ -	\$ -
Sales and Mixed Beverage Tax	130,838	-	-	-
Franchise Tax	13,620	-	-	-
Hotel Occupancy Tax	-	-	20,127	-
Utilities	-	-	-	288,531
Loan To Cayetano Live Oak	7,300	-	-	7,299
Credit Card Receivable	3,784	-	-	-
	<u>226,484</u>	<u>44,857</u>	<u>20,127</u>	<u>295,830</u>
Less: Allowance for Doubtful Accounts				
Property Tax	(4,967)	(3,140)	-	-
Utilities	-	-	-	(10,265)
	<u>(4,967)</u>	<u>(3,140)</u>	<u>-</u>	<u>(10,265)</u>
Total Receivables, Net	<u>\$ 221,517</u>	<u>\$ 41,717</u>	<u>\$ 20,127</u>	<u>\$ 285,565</u>

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE F -- CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>Balance 10/1/2019</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 9/30/2020</u>
Land	\$ 17,210	\$ -	\$ -	\$ 17,210
Buildings and Improvements	961,402	-	-	961,402
Vehicles and Equipment	1,538,558	139,226	-	1,677,784
Infrastructure	598,125	-	-	598,125
	<u>3,115,295</u>	<u>139,226</u>	<u>-</u>	<u>3,254,521</u>
Less Accumulated Depreciation				
Buildings and Improvements	(404,700)	(23,033)	-	(427,733)
Vehicles and Equipment	(1,435,541)	(36,334)	-	(1,471,875)
Infrastructure	(201,609)	(9,222)	-	(210,831)
	<u>(2,041,850)</u>	<u>(68,589)</u>	<u>-</u>	<u>(2,110,439)</u>
Governmental Capital Assets, Net	<u>\$ 1,073,445</u>	<u>\$ 70,637</u>	<u>\$ -</u>	<u>\$ 1,144,082</u>

Land and Construction in Progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

General Administration	\$ 2,673
Public Safety	38,338
Street Maintenance	9,833
Culture & Recreation	<u>17,745</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 68,589</u>

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE F -- CAPITAL ASSETS (Continued)**

Capital asset activity in the business-type fund for the year ended September 30, 2020, was as follows:

<b>Business-Type Activities</b>	<b>Balance 10/1/2019</b>	<b>Additions</b>	<b>Disposals/ Transfers</b>	<b>Balance 9/30/2020</b>
Land	\$ 24,029	\$ -	\$ -	\$ 24,029
Buildings and Improvements	137,179	-	-	137,179
Vehicles and Equipment	1,117,765	98,116	-	1,215,881
Utility System	7,891,867	247,938	-	8,139,805
	<u>9,170,840</u>	<u>346,054</u>	<u>-</u>	<u>9,516,894</u>
Less Accumulated Depreciation				
Buildings and Improvements	(67,863)	(4,133)	-	(71,996)
Vehicles and Equipment	(905,410)	(36,630)	-	(942,040)
Utility System	(4,557,464)	(245,224)	-	(4,802,688)
	<u>(5,530,737)</u>	<u>(285,987)</u>	<u>-</u>	<u>(5,816,724)</u>
Business-Type Capital Assets, Net	<u>\$ 3,640,103</u>	<u>\$ 60,068</u>	<u>\$ -</u>	<u>\$ 3,700,171</u>

Land and Construction in Progress are not depreciated.

**NOTE G -- LONG-TERM DEBT**

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, the purchase of equipment, and street repair. Certificates of Obligation bonds have been issued for both Governmental activities and business-type activities. The original amount of the Certificate of Obligation bonds issued was \$1,116,000 and \$2,000,000 for the 2004 and 2012 series, respectively. The Certificates of Obligation carry an interest rate of 5.055% and 3.870% and matured on June 15, 2020 and July 15, 2020, respectively. Certificates of Obligation bonds are direct obligations and pledge the full faith and credit of the government and are secured solely from property tax revenues and utility revenues. The general fund and the utility fund are used to service the bonds. These bonds were refunded August 2020.

In July 2016, the City issued Certificates of Obligation Series 2016 in the amount of \$800,000 for Wastewater Plant improvements. The Certificates of Obligation carry an interest rate of 2.09% and mature on September 1, 2026.

In August 2020, the City issued Certificates of Obligation Refunding Series 2020 in the amount of \$1,644,000 to refund the Certificate of Obligation bonds issued in 2004 and 2012. The Certificates of Obligation Refunding Series 2020 carry an interest rate of 2.15% and mature on January 15, 2032. The refunding resulted in gross debt service savings of \$136,754 and a present value savings of \$119,684.



CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE G -- LONG-TERM DEBT (Continued)**

All series were privately placed with a bank and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Changes in long-term debt were as follows:

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
<u>Governmental Activities:</u>					
<i>Certificates of Obligation:</i>					
Series 2004	\$ 135,650	\$ -	\$ (135,650)	\$ -	\$ -
Series 2012	733,500	-	(733,500)	-	-
Series 2020 Refunding Bond	-	822,000	-	822,000	76,500
Total Governmental Activities	<u>\$ 869,150</u>	<u>\$ 822,000</u>	<u>\$ (869,150)</u>	<u>\$ 822,000</u>	<u>\$ 76,500</u>
<u>Business-Type Activities</u>					
<i>Certificates of Obligation:</i>					
Series 2004	\$ 135,650	\$ -	\$ (135,650)	\$ -	\$ -
Series 2012	733,500	-	(733,500)	-	-
Series 2016	578,000	-	(78,000)	500,000	79,000
Series 2020 Refunding Bond	-	822,000	-	822,000	76,500
Total Business-Type Activities	<u>\$ 1,447,150</u>	<u>\$ 822,000</u>	<u>\$ (947,150)</u>	<u>\$ 1,322,000</u>	<u>\$ 155,500</u>

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2020, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 76,500	\$ 15,280	\$ 91,780	\$ 155,500	\$ 25,730	\$ 181,230
2022	77,000	15,200	92,200	158,000	23,999	181,999
2023	78,500	13,529	92,029	160,500	20,635	181,135
2024	80,000	11,825	91,825	164,000	17,217	181,217
2025	82,000	10,084	92,084	168,000	13,720	181,720
2026 - 2030	299,000	30,186	329,186	387,000	32,025	419,025
2031 - 2033	129,000	2,784	131,784	129,000	2,784	131,784
	<u>\$ 822,000</u>	<u>\$ 98,888</u>	<u>\$ 920,888</u>	<u>\$ 1,322,000</u>	<u>\$ 136,110</u>	<u>\$ 1,458,110</u>

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS**

Texas Municipal Retirement System

**Plan Description**

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

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

**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.

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

	2018	2019
Inactive employees or beneficiaries currently receiving benefits	7	8
Inactive employees entitled to but not yet receiving benefits	39	44
Active employees	32	35
	<u>78</u>	<u>87</u>

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE H – EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**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.

For the year ending September 30, 2020, employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.12% and 6.33% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$86,851, and were equal to 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
Salary Increases	3.0% per year
Investment Rate of Return*	6.75%

\* Presented net of pension plan investment expense, including inflation

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

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE H – EMPLOYEES’ RETIREMENT SYSTEMS (Continued)**

**Actuarial Assumptions (Continued)**

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 rates of return by the target asset allocation percentage and by adding the 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 returns for each major asset class are summarized in the following table:

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

**CITY OF GEORGE WEST**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (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.

**Changes in the Net Pension Liability**

The below schedule presents the changes in the Net Pension Liability as of December 31, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 1,650,341	\$ 1,315,295	\$ 335,046
Changes for the year:			
Service Cost	119,511	-	119,511
Interest	112,607	-	112,607
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(55,300)	-	(55,300)
Changes of Assumptions	5,842	-	5,842
Contributions - Employer	-	78,151	(78,151)
Contributions - Employee	-	63,435	(63,435)
Net Investment Income	-	203,424	(203,424)
Benefit Payments, Including Refunds of Employee Contributions	(83,688)	(83,688)	-
Administrative Expense	-	(1,149)	1,149
Other Changes	-	(34)	34
Net Changes	98,972	260,139	(161,167)
Balance at December 31, 2019	\$ 1,749,313	\$ 1,575,434	\$ 173,879

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

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

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:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 414,059	\$ 173,879	\$ (23,016)

**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.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2020, the City recognized pension expense of \$22,652. Also, as of 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	\$ -	\$ 125,729
Changes in Actuarial Assumptions	16,026	-
Differences Between Projected and Actual Investment Earnings	-	46,059
Contributions Subsequent to the Measurement Date	62,548	-
	<u>\$ 78,574</u>	<u>\$ 171,788</u>

Deferred outflows of resources in the amount of \$62,548 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,	
2020	\$ (72,568)
2021	(57,935)
2022	(2,330)
2023	(22,929)
2024	-
	<u>\$ (155,762)</u>

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE I -- OTHER POSTEMPLOYMENT BENEFIT (OPEB)**

The City also participates in the cost sharing multiple-employer 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.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. Membership in the plan at December 31, 2019, the valuation and measurement date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	6
Active employees	35
Total	<u>49</u>

The SDBF required contribution rates, based on these assumptions, are as follows:

	Total SDBF Contribution Rate	Retiree Portion of SDBF Contribution Rate
For the Plan Year Ended December 31,		
2019	0.17%	0.02%
2020	0.19%	0.02%

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period of December 31, 2010 to December 31, 2014. The assumptions are summarized below:

Inflation	2.50% per year
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	2.75% (Based on Fidelity's 20-Year Municipal GO AA Index)
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 rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements.
Mortality Rates - Disabled Retirees	Same as service with a 4 year set-forward for males and a 3 year set-forward for females and subject to the 3.5% and 3% floor for males and females respectively.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE I -- OTHER POSTEMPLOYMENT BENEFIT (Continued)**

The City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2019, the measurement and actuarial valuation date, was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2018	\$ 57,564
Changes for the year:	
Service Cost	4,314
Interest	2,211
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(4,338)
Changes of Assumptions or Other Inputs	14,580
Benefit Payments	(254)
Net Changes	16,513
Balance at December 31, 2019	\$ 74,077

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

The following presents the Total OPEB Liability (TOL) of the City, calculated using a discount rate of 3.71%, as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.71%) and 1-percentage point higher (4.71%) than the current rate:

	Discount Rate 1.75%	Discount Rate 2.75%	Discount Rate 3.75%
Total OPEB Liability (Asset)	\$ 92,081	\$ 74,077	\$ 60,374

For the year ended September 30, 2020, the City recognized OPEB expense of \$6,920. And reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and Actual Experiences	\$ -	\$ 7,446
Changes in Assumptions & Other Input	11,641	-
Contributions Subsequent to the Measurement Date	2,038	-
	\$ 13,679	\$ 7,446



CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE I -- OTHER POSTEMPLOYMENT BENEFIT (Continued)**

Deferred outflows of resources in the amount of \$2,038 is related to the OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the new OPEB liability for the plan year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year ended December 31,		
2020	\$	967
2021		967
2022		967
2023		68
2024		1,226
Thereafter		-
	\$	<u>4,195</u>

**NOTE J -- INTERFUND TRANSACTIONS**

As of September 30, 2020, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Due from/Due to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund/Proprietary Fund	\$ 63,096	Utility Collections on-behalf of Proprietary Fund
General Fund/Debt Service Fund	1,044	I&S Tax Deposit on-behalf of Debt Service Fund
Proprietary Fund/Nonmajor Funds	24,768	Court-Related Collections on-behalf of other funds
Total	<u>\$ 88,908</u>	

The following transfers occurred during the year ended September 30, 2020:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Reason</u>
Debt Service	Proprietary	\$ 188,065	In support of debt service
		<u>\$ 188,065</u>	

**NOTE K -- DEFICIT FUND BALANCE**

The General Fund Unassigned Fund Balance had a negative fund balance of \$49,480. The City plans to reduce expenditures until the fund balance returns to a positive amount.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE L -- COMMITMENTS AND CONTINGENCIES**

Litigation

The City is the subject of various other claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

**NOTE M -- RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to \$1,000,000. Annual contributions for the year ended September 30, 2020 were \$74,624 for property and casualty and workers compensation coverage.



## REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability and Relation Ratios
- Schedule of Changes – Total OPEB Liability and Relation Ratios

CITY OF GEORGE WEST  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 524,748	\$ 524,748	\$ 474,050	\$ (50,698)
Franchise Fees	145,541	145,541	148,560	3,019
Sales Taxes	776,747	776,747	734,739	(42,008)
Fines and Penalties	202,246	202,246	133,631	(68,615)
Charges For Service	30,035	30,035	24,058	(5,977)
Grants	89,457	89,457	65,015	(24,442)
Licenses and Permits	25,637	25,637	18,678	(6,959)
Interest Income	1,123	1,123	1,875	752
Miscellaneous	11,170	11,170	11,059	(111)
<b>TOTAL REVENUES</b>	<u>1,806,704</u>	<u>1,806,704</u>	<u>1,611,665</u>	<u>(195,039)</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
General Administration	385,043	385,043	351,905	33,138
Public Safety	952,583	952,583	979,553	(26,970)
Street Maintenance	193,528	193,528	176,008	17,520
Culture and Recreation	206,734	183,832	177,653	6,179
Municipal Court	123,718	141,718	141,803	(85)
Capital Outlay	-	-	100,753	(100,753)
<b>TOTAL EXPENDITURES</b>	<u>1,861,606</u>	<u>1,856,704</u>	<u>1,927,675</u>	<u>(70,971)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(54,902)</u>	<u>(50,000)</u>	<u>(316,010)</u>	<u>(266,010)</u>
<b>Beginning Fund Balance</b>	<u>266,530</u>	<u>266,530</u>	<u>266,530</u>	<u>-</u>
<b>Ending Fund Balance, Deficit</b>	<u>\$ 211,628</u>	<u>\$ 216,530</u>	<u>\$ (49,480)</u>	<u>\$ (266,010)</u>

CITY OF GEORGE WEST  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL FUND  
SEPTEMBER 30, 2020

**Budgetary Information** – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund and Debt Service Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City does not use encumbrances.

CITY OF GEORGE WEST  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS  
LAST SIX PLAN YEARS

	Total Pension Liability					
	2014	2015	2016	2017	2018	2019
Service Cost	\$ 109,358	\$ 140,271	\$ 121,090	\$ 106,161	\$ 109,077	\$ 119,511
Interest (on the Total Pension Liability)	83,794	95,635	104,864	108,272	110,757	112,607
Changes of Benefit Terms	-	-	-	-	-	-
Difference between Expected and Actual Experience	9,411	(10,745)	(61,483)	(69,768)	(95,686)	(55,300)
Change of Assumptions	-	54,137	-	-	-	5,842
Benefit Payments, Including Refunds of Employee Contributions	(47,576)	(50,138)	(114,633)	(98,389)	(120,234)	(83,688)
Net Change in Total Pension Liability	154,987	229,160	49,838	46,276	3,914	98,972
Total Pension Liability - Beginning	1,166,166	1,321,153	1,550,313	1,600,151	1,646,427	1,650,341
Total Pension Liability - Ending	<u>\$ 1,321,153</u>	<u>\$ 1,550,313</u>	<u>\$ 1,600,151</u>	<u>\$ 1,646,427</u>	<u>\$ 1,650,341</u>	<u>\$ 1,749,313</u>
Plan Fiduciary Net Position						
	2014	2015	2016	2017	2018	2019
Contributions - Employer	\$ 74,767	\$ 89,779	\$ 67,314	\$ 63,163	\$ 70,106	\$ 78,151
Contributions - Employee	75,206	82,513	66,900	57,014	58,206	63,435
Net Investment Income	46,021	1,405	72,711	161,608	(40,402)	203,424
Benefit Payments, Including Refunds of Employee Contributions	(47,576)	(50,138)	(114,633)	(98,389)	(120,234)	(83,688)
Administrative Expense	(480)	(855)	(820)	(838)	(781)	(1,149)
Other	(39)	(43)	(44)	(42)	(42)	(34)
Net Change in Plan Fiduciary Net Position	147,899	122,661	91,428	182,516	(33,147)	260,139
Plan Fiduciary Net Position - Beginning	803,938	951,837	1,074,498	1,165,926	1,348,442	1,315,295
Plan Fiduciary Net Position - Ending	<u>\$ 951,837</u>	<u>\$ 1,074,498</u>	<u>\$ 1,165,926</u>	<u>\$ 1,348,442</u>	<u>\$ 1,315,295</u>	<u>\$ 1,575,434</u>
Net Pension Liability (Asset) - Ending	\$ 369,316	\$ 475,815	\$ 434,225	\$ 297,985	\$ 335,046	\$ 173,879
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.05%	69.31%	72.86%	81.90%	79.70%	90.06%
Covered Payroll	\$ 1,504,114	\$ 1,650,253	\$ 1,338,006	\$ 1,140,290	\$ 1,164,112	\$ 1,268,697
Net Pension Liability as a Percentage of Covered Payroll	24.55%	28.83%	32.45%	26.13%	28.78%	13.71%

Note: The schedule above reflects the changes in the net pension liability for the current year. GASB 68 requires 10 fiscal years of data to be provided in this schedule. The employer/city will be required to build this schedule over the 10 year period; as such, the employer should retain the annual GASB packages to utilize in building this schedule.

**CITY OF GEORGE WEST**  
**NOTES TO THE SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST SIX FISCAL YEARS**

	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution	\$ 88,600	\$ 72,663	\$ 64,195	\$ 67,643	\$ 72,340	\$ 86,851
Contributions in Relation to the Actuarially Determined Contribution	88,600	72,663	64,195	67,643	72,340	86,851
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$1,664,451	\$1,413,741	\$1,185,832	\$1,146,805	\$ 1,183,916	\$ 1,467,824
Contributions as a Percentage of Covered Payroll	5.32%	5.14%	5.41%	5.90%	6.11%	5.92%

**Valuation Date:**

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

GASB 68 requires 10 fiscal years of data to be provided in the Schedule of Contributions: The City will build this report over the next 10 year period. This data in this schedule is based on the City's fiscal year-end, not the valuation/measurement date as provided in other schedules of this report.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	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.



CITY OF GEORGE WEST  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES – NET OPEB LIABILITY AND RELATED RATIOS  
LAST THREE CALENDAR YEARS

	Total OPEB Liability		
	2017	2018	2019
Service Cost	\$ 3,535	\$ 4,074	\$ 4,314
Interest	1,997	2,127	2,211
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	-	(5,764)	(4,338)
Changes in Assumptions or Other Inputs	5,807	(4,980)	14,580
Benefit Payments	(114)	(233)	(254)
Net Change in Total OPEB Liability	11,225	(4,776)	16,513
Total OPEB Liability - Beginning	51,115	62,340	57,564
Total OPEB Liability - Ending	\$ 62,340	\$ 57,564	\$ 74,077
Covered Payroll	\$ 1,140,290	\$ 1,164,112	\$ 1,268,697
Total OPEB Liability as a Percentage of Covered Payroll	5.47%	4.94%	5.84%

Note: Information for this schedule is being accumulated prospectively until a ten year period is available.

**Methods and Assumptions Used to Determine Contributions Rates:**

Actuarial Assumptions:

Inflation	2.50% per year
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	2.75% (Based on Fidelity's 20-Year Municipal GO AA Index)
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 rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements.
Mortality Rates - Disabled Retirees	Same as service with a 4 year set-forward for males and a 3 year set-forward for females and subject to the 3.5% and 3% floor for males and females respectively.

## SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Comparative Statements – General Fund
- Combining Statements – Nonmajor Governmental Funds
- Comparative Statements – Proprietary Utility Fund

CITY OF GEORGE WEST  
COMPARATIVE BALANCE SHEETS  
GENERAL FUND  
SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 299,985
Receivables (net of allowances for uncollectibles):		
Property Taxes	65,975	44,993
Other Receivables	<u>155,542</u>	<u>157,486</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 221,517</u></u>	<u><u>\$ 502,464</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 47,892	\$ 108,551
Withdrawals in Excess of Deposits	64,891	-
Accrued Wages	25,246	21,462
Due to Other Funds	<u>64,140</u>	<u>64,140</u>
<i>Total Liabilities</i>	<u><u>202,169</u></u>	<u><u>194,153</u></u>
<i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	<u>68,828</u>	<u>41,781</u>
<i>Total Deferred Inflows of Resources</i>	<u><u>68,828</u></u>	<u><u>41,781</u></u>
<i>Fund Balances:</i>		
Committed for:		
Public Education Fund	4,242	9,155
Unassigned, Deficit	<u>(53,722)</u>	<u>257,375</u>
<i>Total Fund Balance</i>	<u><u>(49,480)</u></u>	<u><u>266,530</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 221,517</u></u>	<u><u>\$ 502,464</u></u>

CITY OF GEORGE WEST  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GENERAL FUND  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 474,050	\$ 424,944
Franchise Fees	148,560	135,730
Sales Taxes	734,739	784,192
Fines and Penalties	133,631	159,727
Charges For Service	24,058	27,585
Grants	65,015	49,288
Licenses and Permits	18,678	27,679
Interest Income	1,875	1,475
Miscellaneous	11,059	69,303
<b>TOTAL REVENUES</b>	<u>1,611,665</u>	<u>1,679,923</u>
<b>EXPENDITURES</b>		
Current:		
General Administration	351,905	426,042
Public Safety	979,553	698,057
Street Maintenance	176,008	196,504
Culture and Recreation	177,653	270,008
Municipal Court	141,803	100,726
Capital Outlay	100,753	-
<b>TOTAL EXPENDITURES</b>	<u>1,927,675</u>	<u>1,691,337</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(316,010)</u>	<u>(11,414)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Sale of Capital Assets	-	36,090
Transfers Out	-	9,071
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>45,161</u>
<b>Net Change in Fund Balance</b>	<b>(316,010)</b>	<b>33,747</b>
<b>BEGINNING FUND BALANCE</b>	<u>266,530</u>	<u>232,783</u>
<b>ENDING FUND BALANCE, DEFICIT</b>	<u><u>\$ (49,480)</u></u>	<u><u>\$ 266,530</u></u>

CITY OF GEORGE WEST  
COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

	Special Revenue Funds			
	Hotel Occupancy	Court Security	Court Technology	Court Child Safety
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 99,183	\$ 43,116	\$ 21,207
Accounts Receivable, Net of Allowance				
Taxes	20,127	-	-	-
Due From Other Funds	-	-	-	-
Restricted Assets:				
Cash and Cash Equivalents	156,827	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 176,954</u>	<u>\$ 99,183</u>	<u>\$ 43,116</u>	<u>\$ 21,207</u>
<b>LIABILITIES &amp; FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ 21,266	\$ 1,253	\$ -	\$ -
<i>Total Liabilities</i>	<u>21,266</u>	<u>1,253</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>				
Restricted For:				
Police	-	-	-	-
Municipal Court	-	97,930	43,116	21,207
Tourism	155,688	-	-	-
Assigned For:				
Future Projects	-	-	-	-
<i>Total Fund Balances</i>	<u>155,688</u>	<u>97,930</u>	<u>43,116</u>	<u>21,207</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<u>\$ 176,954</u>	<u>\$ 99,183</u>	<u>\$ 43,116</u>	<u>\$ 21,207</u>

<u>Drug Forfeiture</u>	<u>Capital Projects Funds</u>		<u>Totals</u>
	<u>Certificate of Obligation 2016</u>	<u>Sports Complex</u>	
\$ -	\$ -	\$ -	\$ 163,506
-	-	-	20,127
-	24,768	-	24,768
<u>251,821</u>	<u>6,326</u>	<u>26,946</u>	<u>441,920</u>
<u>\$ 251,821</u>	<u>\$ 31,094</u>	<u>\$ 26,946</u>	<u>\$ 650,321</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,519</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>22,519</u>
251,821	-	-	251,821
-	-	-	162,253
-	-	-	155,688
-	31,094	26,946	58,040
<u>251,821</u>	<u>31,094</u>	<u>26,946</u>	<u>627,802</u>
<u>\$ 251,821</u>	<u>\$ 31,094</u>	<u>\$ 26,946</u>	<u>\$ 650,321</u>

CITY OF GEORGE WEST  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020

	Special Revenue Funds			
	Hotel Occupancy	Court Security	Court Technology	Court Child Safety
<b>REVENUES</b>				
Hotel Occupancy Tax	\$ 122,488	\$ -	\$ -	\$ -
Fines and Penalties	-	3,476	3,983	-
Interest Income	-	-	-	-
<b>TOTAL REVENUES</b>	<u>122,488</u>	<u>3,476</u>	<u>3,983</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	-	-	-	-
Municipal Court	-	1,737	9,205	430
Administration	95,487	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>95,487</u>	<u>1,737</u>	<u>9,205</u>	<u>430</u>
Net Change in Fund Balance	27,001	1,739	(5,222)	(430)
Fund Balances at Beginning of Year	<u>128,687</u>	<u>96,191</u>	<u>48,338</u>	<u>21,637</u>
Fund Balances at End of Year	<u>\$ 155,688</u>	<u>\$ 97,930</u>	<u>\$ 43,116</u>	<u>\$ 21,207</u>

Drug Forfeiture	Capital Projects Funds		Totals
	Certificate of Obligation 2016	Sports Complex	
\$ -	\$ -	\$ -	\$ 122,488
233,530	-	-	240,989
-	134	-	134
<u>233,530</u>	<u>134</u>	<u>-</u>	<u>363,611</u>
26,052	-	-	26,052
-	-	-	11,372
-	-	-	95,487
-	-	-	-
<u>26,052</u>	<u>-</u>	<u>-</u>	<u>132,911</u>
207,478	134	-	230,700
44,343	30,960	26,946	397,102
<u>\$ 251,821</u>	<u>\$ 31,094</u>	<u>\$ 26,946</u>	<u>\$ 627,802</u>



CITY OF GEORGE WEST  
COMPARATIVE STATEMENTS OF NET POSITION  
PROPRIETARY FUND – UTILITY SYSTEM  
SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 674,047	\$ 643,651
Accounts Receivables - Customers (Net of Allowance for Uncollectibles)	285,565	230,564
Due From Other Funds	38,328	38,328
<i>Total Current Assets</i>	<u>997,940</u>	<u>912,543</u>
<i>Capital Assets:</i>		
Land	24,029	24,029
Building and Improvements	137,179	137,179
Machinery and Equipment	1,215,881	1,117,765
Utility System	8,139,805	7,891,867
Accumulated Depreciation	<u>(5,816,723)</u>	<u>(5,530,737)</u>
<i>Total Capital Assets, Net</i>	<u>3,700,171</u>	<u>3,640,103</u>
<i>Total Noncurrent Assets</i>	<u>3,700,171</u>	<u>3,640,103</u>
<b>TOTAL ASSETS</b>	<u>4,698,111</u>	<u>4,552,646</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred OPEB Related Outflows	4,513	203
Deferred Pension Related Outflows	<u>31,588</u>	<u>14,368</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 36,101</u>	<u>\$ 14,571</u>

CITY OF GEORGE WEST  
COMPARATIVE STATEMENTS OF NET POSITION  
PROPRIETARY FUND – UTILITY SYSTEM (CONTINUED)  
SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES</b>		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 96,432	\$ 116,447
Accrued Wages	14,103	9,079
Compensated Absences	11,962	11,169
Accrued Interest Payable	6,415	10,431
Customer Deposits	87,602	84,422
Current Portion of Bonds Payable	155,500	142,100
<i>Total Current Liabilities</i>	<u>372,014</u>	<u>373,648</u>
<i>Noncurrent Liabilities:</i>		
Bonds Payable	1,166,500	1,305,050
Net Pension Liability	57,380	64,066
Total OPEB Liability	24,445	16,237
<i>Total Noncurrent Liabilities</i>	<u>1,248,325</u>	<u>1,385,353</u>
<b>TOTAL LIABILITIES</b>	<u>1,620,339</u>	<u>1,759,001</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Pension Related Inflows	58,328	20,353
Deferred OPEB Related Inflows	2,457	1,694
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>60,785</u>	<u>22,047</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	2,378,171	2,192,953
Unrestricted	674,917	593,216
<b>TOTAL NET POSITION</b>	<u>\$ 3,053,088</u>	<u>\$ 2,786,169</u>

CITY OF GEORGE WEST  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - PROPRIETARY FUND - UTILITY SYSTEM  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Charges for Water Service	\$ 564,373	\$ 531,920
Charges for Gas Services	250,154	286,514
Charges for Sewer Service	502,309	516,541
Charges for Garbage Service	631,190	537,971
Grants and Donations	290,156	36,429
Miscellaneous Income	2,404	3,694
<b>TOTAL OPERATING REVENUES</b>	<u>2,240,586</u>	<u>1,913,069</u>
<b>OPERATING EXPENSES</b>		
Personnel	713,484	592,566
Supplies	159,347	138,083
Services and Charges	358,902	389,467
Gas Purchases	72,929	99,246
Solid Waste Costs	512,428	491,486
Depreciation	285,987	289,093
<b>TOTAL OPERATING EXPENSES</b>	<u>2,103,077</u>	<u>1,999,941</u>
<b>OPERATING INCOME (LOSS)</b>	<u>137,509</u>	<u>(86,872)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	244	240
Interest Charges	(58,899)	(44,043)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(58,655)</u>	<u>(43,803)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>78,854</u>	<u>(130,675)</u>
Transfers In (Out)	<u>188,065</u>	<u>171,684</u>
<b>NET INCOME (LOSS)</b>	<u>266,919</u>	<u>41,009</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>2,786,169</u>	<u>2,745,160</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 3,053,088</u></u>	<u><u>\$ 2,786,169</u></u>

CITY OF GEORGE WEST  
COMPARATIVE STATEMENTS OF CASH FLOWS  
PROPRIETARY FUND – UTILITY SYSTEM  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received From Customers	\$ 2,188,765	\$ 1,923,082
Cash Paid to Employees for Services	(688,937)	(591,604)
Cash Paid to Suppliers for Goods and Services	(1,123,621)	(1,127,016)
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>376,207</b>	<b>204,462</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers From (To) Primary Government	188,065	171,684
Intergovernmental Borrowings	-	(1,566)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>188,065</b>	<b>170,118</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets	(346,055)	(122,262)
Proceeds from Bond Issuance	822,000	-
Principal Payments on Long-term Debt	(947,150)	(137,350)
Interest Paid for Financing Activities	(62,915)	(44,068)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(534,120)</b>	<b>(303,680)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Interest Received	244	240
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>244</b>	<b>240</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>30,396</b>	<b>71,140</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		
Cash and Cash Equivalents	643,651	572,511
	<u>643,651</u>	<u>572,511</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		
Cash and Cash Equivalents	674,047	643,651
	<u>\$ 674,047</u>	<u>\$ 643,651</u>
<b>Interest Paid During the Year</b>	<b>\$ 62,915</b>	<b>\$ 44,608</b>

CITY OF GEORGE WEST  
COMPARATIVE STATEMENTS OF CASH FLOWS  
PROPRIETARY FUND – UTILITY SYSTEM (CONTINUED)  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 137,509	\$ (86,872)
Adjustments to Reconcile Operating Income to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation	285,987	289,093
(Increase) Decrease in Operating Assets:		
Accounts Receivable, Net	(55,001)	7,590
Deferred OPEB Outflows	(4,310)	1,556
Deferred Pension Outflows	(17,220)	2,139
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(20,015)	(8,734)
Accrued Wages	5,024	3,381
Compensated Absences	793	2,451
Customer Deposits	3,180	2,423
Deferred OPEB Inflows	763	1,694
Total OPEB Liability	8,208	(1,593)
Deferred Pension Inflows	37,975	(21,025)
Net Pension Liability	(6,686)	12,359
	<u>238,698</u>	<u>291,334</u>
Net Cash Provided (Used) by		
Operating Activities	<u>\$ 376,207</u>	<u>\$ 204,462</u>