

CITY OF HEREFORD, TEXAS

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT

SEPTEMBER 30, 2021

CITY OF HEREFORD, TEXAS

SEPTEMBER 30, 2021

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FINANCIAL SECTION

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Commission
City of Hereford, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hereford, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

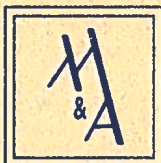
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

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

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

Opinions

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



McGinty & Associates, LLP
Certified Public Accountants

205 W. 4th Street, Suite 201
Hereford, Texas 79045
(806) 364-6432

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of changes in net pension liability and related ratios, the schedule of employer contributions and the schedule of changes in total OPEB liability and related ratios on pages 39 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hereford, Texas' basic financial statements. The combining statements on pages 44 and 45 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 combining statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McBerty & Associates LLP

Hereford, Texas
March 29, 2023

CITY OF HEREFORD, TEXAS

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

	Primary Government			Component Unit HEDC
	Govern- mental Activities	Business- Type Activities	Total	
ASSETS				
Cash.....	\$ 2,943,671	\$ 4,100,440	\$ 7,044,111	\$ 5,061,374
Investments.....	485,022	1,321,826	1,806,848	-
Receivables(Net):				
Property Taxes	79,110	-	79,110	-
Accounts	227,018	770,815	997,833	-
Due from State	53,750	764,112	817,862	-
Notes	-	-	-	100,000
Other.....	25,808	-	25,808	-
Internal Balances.....	178,100	(178,100)	-	-
Due from Component Unit....	351,601	-	351,601	-
Inventories.....	18,516	239,097	257,613	-
Restricted Assets.....	-	1,593,093	1,593,093	-
Capital Assets:				
Non-Depreciable	939,487	7,230,126	8,169,613	137,220
Depreciable, Net	<u>14,524,742</u>	<u>10,211,992</u>	<u>24,736,734</u>	<u>3,823</u>
Total Assets	<u>19,826,825</u>	<u>26,053,401</u>	<u>45,880,226</u>	<u>5,302,417</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>412,748</u>	<u>114,602</u>	<u>527,350</u>	<u>7,922</u>
LIABILITIES				
Accounts Payable.....	763,005	870,358	1,633,363	3,557
Accrued Liabilities.....	-	35,010	35,010	-
Deferred Revenue.....	-	15,625	15,625	-
Due to Primary Government..	-	-	-	351,601
Non-Current Liabilities:				
Due Within One Year	95,890	629,922	725,812	-
Due in More Than One Year	211,998	5,459,556	5,671,554	-
Net Pension Liability ...	1,138,666	316,156	1,454,822	21,855
Total OPEB Liability	280,743	77,950	358,693	5,388
Deposits.....	-	301,200	301,200	-
Total Liabilities	<u>2,490,302</u>	<u>7,705,777</u>	<u>10,196,079</u>	<u>382,401</u>
DEFERRED INFLOWS OF RESOURCES	<u>908,030</u>	<u>252,119</u>	<u>1,160,149</u>	<u>17,428</u>
NET POSITION				
Net Investment in				
Capital Assets	15,156,341	11,352,640	26,508,981	141,043
Restricted for:				
Debt Service	-	457,194	457,194	-
Capital Improvements	-	1,135,899	1,135,899	-
Police	115,218	-	115,157	-
Parks	75,166	-	75,166	-
Unrestricted.....	<u>1,494,516</u>	<u>5,264,374</u>	<u>6,758,951</u>	<u>4,769,467</u>
Total Net Position	<u>\$16,841,241</u>	<u>\$18,210,107</u>	<u>\$35,051,348</u>	<u>\$ 4,910,510</u>

See Accompanying "Notes to Financial Statements"

CITY OF HEREFORD, TEXAS

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS:					
Primary Government:					
Governmental Activities:					
General Government	\$ 714,198	\$ 263,047	\$ 2,494,135	\$ -	\$ 2,042,984
Public Safety	3,958,664	287,430	1,000	119,723	(3,550,511)
Municipal Court	177,977	10,358	-	-	(167,619)
Streets and Public Works	1,841,706	22,105	-	128,274	(1,691,327)
Sanitation and Health	1,579,547	2,341,421	-	-	761,874
Parks and Recreation	2,215,320	313,538	48,911	2,314,803	461,932
Airport	495,072	243,292	20,461	-	(231,319)
Total Governmental Activities.....	<u>10,982,484</u>	<u>3,481,191</u>	<u>2,564,507</u>	<u>2,562,800</u>	<u>(2,373,986)</u>
Business-Type Activities:					
Water and Sewer Utilities	4,222,172	7,966,652	-	-	3,744,480
Total Business-Type Activities.....	<u>4,222,172</u>	<u>7,966,652</u>	<u>-</u>	<u>-</u>	<u>3,744,480</u>
Total Primary Government	<u>\$15,204,656</u>	<u>\$11,447,843</u>	<u>\$ 2,564,507</u>	<u>\$ 2,562,800</u>	<u>\$ 1,370,494</u>
Component Unit:					
Hereford Economic Development Corp.....	\$ 2,816,622	-	-	-	\$(2,816,622)
Total Component Units	<u>\$ 2,816,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$(2,816,622)</u>

See Accompanying "Notes to Financial Statements"

CITY OF HEREFORD, TEXAS

STATEMENT OF ACTIVITIES (continued)
YEAR ENDED SEPTEMBER 30, 2021

	<u>Primary Government</u>		<u>Component</u>
	<u>Governmental</u>	<u>Business-</u>	<u>Unit</u>
	<u>Activities</u>	<u>Type</u>	<u>HEDC</u>
		<u>Activities</u>	
		<u>Total</u>	
CHANGE IN NET POSITION:			
Net (Expense) Revenue ...	\$ (2,373,986)	\$ 3,744,480	\$ (2,816,622)
General Revenues:			
Taxes:			
Property Taxes	2,241,491	-	-
Sales Taxes	1,914,592	-	952,573
Franchise Taxes	996,470	-	-
Motel Occupancy Taxes .	240,147	-	-
Lease Income	-	63,700	-
Interest Income	4,635	5,817	12,548
Sale of Assets	41,875	17,000	-
Miscellaneous	20,807	-	-
Transfers	2,806,300	(2,806,300)	-
Total General Revenues and Transfers	8,266,317	(2,719,783)	965,121
Change in Net Position	5,892,331	1,024,697	(1,851,501)
Net Position - Beginning	10,948,910	17,185,410	6,762,011
Net Position - Ending	\$ 16,841,241	\$ 18,210,107	\$ 4,910,510

See Accompanying "Notes to Financial Statements"

CITY OF HEREFORD, TEXAS

**BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	General Fund	Other Governmental Funds	Total
ASSETS			
Cash.....	\$2,651,354	\$ 292,317	\$2,943,671
Investments.....	485,022	-	485,022
Receivables (Net):			
Property Taxes	79,110	-	79,110
Accounts	227,018	-	227,018
Due from State	-	53,750	53,750
Other	25,808	-	25,808
Due from Other Funds.....	275,686	-	275,686
Due from Component Unit.....	351,601	-	351,601
Inventories.....	18,516	-	18,516
 Total Assets.....	 <u>\$4,114,115</u>	 <u>\$ 346,067</u>	 <u>\$4,460,182</u>
 LIABILITIES			
Accounts Payable.....	\$ 697,824	\$ 65,181	\$ 763,005
Due to Other Funds.....	-	97,586	97,586
Total Liabilities	<u>697,824</u>	<u>162,767</u>	<u>860,591</u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Property Tax Revenue.	59,026	-	59,026
Total Deferred Inflows of Resources	<u>59,026</u>	<u>-</u>	<u>59,026</u>
 FUND BALANCES			
Nonspendable:			
Inventories	18,516	-	18,516
Restricted for:			
Police	7,084	108,134	115,218
Parks	-	75,166	75,166
Unassigned.....	3,331,665	-	3,331,665
Total Fund Balances	<u>3,357,265</u>	<u>183,300</u>	<u>3,540,565</u>
 Total Liabilities and Fund Balances	 <u>\$4,114,115</u>	 <u>\$ 346,067</u>	 <u>\$4,460,182</u>

See Accompanying "Notes to Financial Statements"

CITY OF HEREFORD, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS (continued)
SEPTEMBER 30, 2021

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION:

Total Fund Balance - Total Governmental Funds	\$ 3,540,565
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$32,419,735, net of accumulated depreciation of \$16,955,506 are not financial resources and, therefore, are not reported in governmental funds	15,464,229
Deferred outflows of resources are not available financial resources and, therefore, are not reported in governmental funds	412,748
Long-term property tax receivables are not available to pay current period expenditures and, therefore, are unavailable in governmental funds	59,026
Long-term liabilities are not due and payable in the current period and are not reported in governmental funds	(307,888)
Net pension liability is not due and payable in the current period and is not reported in governmental funds	(1,138,666)
Total OPEB liability is not due and payable in the current period and is not reported in the governmental funds	(280,743)
Deferred inflows of resources are not due and payable in the current period and are not reported in governmental funds	<u>(908,030)</u>
Net Position of Governmental Activities	<u>\$16,841,241</u>

See Accompanying "Notes to Financial Statements"

CITY OF HEREFORD, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Other Governmental Funds	Total
<u>REVENUES:</u>			
Property Taxes.....	\$ 2,245,623	\$ -	\$ 2,245,623
Sales Taxes.....	1,914,592	-	1,914,592
Franchise Taxes.....	996,470	-	996,470
Motel Occupancy Taxes.....	240,147	-	240,147
Charges for Services.....	3,481,191	-	3,481,191
Grant Revenue.....	2,514,596	247,998	2,762,594
Interest Income.....	4,024	611	4,635
Contributions.....	2,322,527	42,186	2,364,713
Miscellaneous Revenue.....	20,807	-	20,807
	<u>13,739,977</u>	<u>290,795</u>	<u>14,030,772</u>
<u>EXPENDITURES:</u>			
Current:			
General Government	726,487	-	726,487
Public Safety	3,796,995	-	3,796,995
Municipal Court	185,857	-	185,857
Streets and Public Works	1,606,431	-	1,606,431
Sanitation and Health	1,581,864	-	1,581,864
Parks and Recreation	1,892,264	10,000	1,902,264
Airport	431,691	-	431,691
Capital Outlays.....	3,086,001	213,881	3,299,882
Debt Service:			
Principal Retirement	441,030	-	441,030
Interest Charges	11,681	-	11,681
	<u>13,760,301</u>	<u>223,881</u>	<u>13,984,182</u>
<u>EXCESS (DEFICIT) OF REVENUES</u> <u>OVER EXPENDITURES.....</u>	<u>(20,324)</u>	<u>66,914</u>	<u>46,590</u>
<u>OTHER FINANCING SOURCES (USES):</u>			
Transfers In.....	2,800,000	20,706	2,820,706
Loan Proceeds.....	561,185	-	561,185
Sale of Assets.....	41,875	-	41,875
Transfers Out.....	(14,406)	-	(14,406)
	<u>3,388,654</u>	<u>20,706</u>	<u>3,409,360</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>3,368,330</u>	<u>87,620</u>	<u>3,455,950</u>
<u>FUND BALANCES:</u>			
Beginning of Year.....	(11,065)	95,680	84,615
End of Year.....	<u>\$ 3,357,265</u>	<u>\$ 183,300</u>	<u>\$ 3,540,565</u>

See Accompanying "Notes to Financial Statements"

CITY OF HEREFORD, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (continued)
YEAR ENDED SEPTEMBER 30, 2021

RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES:

Net Change in Fund Balances - Total Governmental Funds \$3,455,950

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:

Capital Outlays.....	3,299,882
Depreciation Expense.....	(1,038,835)

Governmental funds report payments to the pension plan and the OPEB plan as expenditures; however, in the statement of activities, pension expense is recorded in accordance with GASB 68 and OPEB expense is recorded in accordance with GASB 75:

Benefit Plan Payments.....	466,692
Benefit Plan Expense.....	(167,071)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Change in unavailable deferred property tax revenue.....	(4,132)
--	---------

The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

Loan Proceeds.....	(561,185)
Debt Repayments.....	441,030

Change in Net Position of Governmental Activities \$5,892,331

See Accompanying "Notes to Financial Statements"

CITY OF HEREFORD, TEXAS

STATEMENT OF NET POSITION - WATER AND SEWER FUND
YEAR ENDED SEPTEMBER 30, 2021

<u>CURRENT ASSETS</u>	
Cash.....	\$ 4,100,440
Investments.....	1,321,826
Receivables (Net):	
Accounts	770,815
Due from State	764,112
Due from Other Funds.....	94
Inventories.....	239,097
	<u>7,196,384</u>
<u>NONCURRENT ASSETS</u>	
Restricted Assets.....	1,593,093
Capital Assets:	
Non-Depreciable	7,230,126
Depreciable, Net	10,211,992
	<u>19,035,211</u>
Total Assets	<u>26,231,595</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>114,602</u>
<u>CURRENT LIABILITIES</u>	
Accounts Payable.....	870,358
Accrued Liabilities.....	35,010
Due to Other Funds.....	178,194
Deferred Revenue.....	15,625
Long-Term Debt, Amounts Due Within One Year.....	629,922
	<u>1,729,109</u>
<u>NONCURRENT LIABILITIES</u>	
Long-Term Debt, Amounts Due in More Than One Year.....	5,459,556
Net Pension Liability.....	316,156
Total OPEB Liability.....	77,950
Deposits.....	301,200
	<u>6,154,862</u>
Total Liabilities	<u>7,883,971</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>252,119</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets.....	11,352,640
Restricted for:	
Debt Service	457,194
Capital Improvements	1,135,899
Unrestricted.....	5,264,374
Total Net Position	<u>\$18,210,107</u>

See Accompanying "Notes to Financial Statements"

CITY OF HEREFORD, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION - WATER AND SEWER FUND
YEAR ENDED SEPTEMBER 30, 2021

OPERATING REVENUES:

Water Billings.....	\$ 6,137,960
Sewer Billings.....	1,583,637
Penalties.....	150,873
Service Taps.....	81,368
Miscellaneous.....	12,814
	<u>7,966,652</u>

OPERATING EXPENSES:

Personnel Cost.....	1,238,604
Depreciation and Amortization.....	770,024
Heat, Light and Power.....	767,719
Repairs and Maintenance.....	746,763
Insurance.....	261,758
Supplies and Chemicals.....	201,020
Fuel.....	38,627
Lab Expense.....	35,866
Water Purchases.....	34,313
Dues and Fees.....	22,023
Telephone.....	18,099
Uniforms.....	9,125
Miscellaneous.....	9,015
Travel.....	4,160
Property Taxes.....	3,032
Rents.....	2,855
	<u>4,163,003</u>

Income from Operations..... 3,803,649

NONOPERATING REVENUES (EXPENSES):

Lease Income.....	63,700
Interest Income.....	5,817
Sale of Assets.....	17,000
Interest and Fiscal Charges.....	<u>(59,169)</u>
	<u>27,348</u>

Income Before Transfers..... 3,830,997

Transfers Out..... (2,806,300)

CHANGE IN NET POSITION..... 1,024,697

Net Position - Beginning..... 17,185,410

Net Position - Ending..... \$18,210,107

See Accompanying "Notes to Financial Statements"

CITY OF HEREFORD, TEXAS

STATEMENT OF CASH FLOWS - WATER AND SEWER FUND
YEAR ENDED SEPTEMBER 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers.....	\$7,924,337
Other Operating Receipts.....	12,814
Cash Paid to Suppliers for Goods and Services.....	(2,307,867)
Cash Payments to Employees for Services.....	<u>(1,124,055)</u>
Net Cash Provided by (Used for) Operations.....	<u>4,505,229</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Rents Received.....	63,700
Transfers to Other Funds.....	<u>(2,806,300)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(2,742,600)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from Sale of Assets.....	17,000
Acquisition and Construction of Capital Assets.....	(3,438,292)
Principal Paid on Bond Maturities.....	(550,000)
Principal Paid on Notes Payable.....	(29,270)
Interest and Fees Paid on Long-Term Debt.....	<u>(308,952)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(4,309,514)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment Income.....	5,730
Purchase of Certificates of Deposit.....	<u>(1,736)</u>
Net Cash Provided by (Used for) Investing Activities.....	<u>3,994</u>

NET INCREASE (DECREASE) IN CASH

(2,542,891)

Cash, Beginning of Year.....

8,236,424

Cash, End of Year.....

\$5,693,533

Cash - Unrestricted

\$4,100,440

Cash - Restricted

1,593,093

\$5,693,533

See Accompanying "Notes to Financial Statements"

CITY OF HEREFORD, TEXAS

STATEMENT OF CASH FLOWS - WATER AND SEWER FUND (continued)
YEAR ENDED SEPTEMBER 30, 2021

RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO
NET CASH PROVIDED BY (USED FOR) OPERATIONS:

Income (Loss) from Operations	\$3,803,649
Adjustments to Reconcile Net Income to Net Cash Provided by Operations:	
Depreciation	770,024
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(386,113)
(Increase) Decrease in Inventory	(8,799)
Increase (Decrease) in Pension & OPEB Related Accounts	(89,549)
Increase (Decrease) in Water Deposits	(14,625)
Increase (Decrease) in Accounts Payable	430,547
Increase (Decrease) in Accrued Property Taxes	<u>95</u>
Net Cash Provided by (Used for) Operations	<u>\$4,505,229</u>

See Accompanying "Notes to Financial Statements"

CITY OF HEREFORD, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2021

	<u>Employee Retirement Fund</u>	<u>Golf Course/ Team Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash.....	\$ 1,811	\$ 21,205	\$ 23,016
Deferred Compensation Plan Assets	<u>202,682</u>	<u>-</u>	<u>202,682</u>
Total Assets	<u>204,493</u>	<u>21,205</u>	<u>225,698</u>
<u>LIABILITIES</u>			
Due to General Fund.....	<u>1,811</u>	<u>257</u>	<u>2,068</u>
<u>NET POSITION</u>			
Held for Employee Retirement.....	202,682	-	202,682
Held for Golf Course/Golf Team...	<u>-</u>	<u>20,948</u>	<u>20,948</u>
Total Net Position	<u>\$ 202,682</u>	<u>\$ 20,948</u>	<u>\$ 223,630</u>

See Accompanying "Notes to Financial Statements"

CITY OF HEREFORD, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED SEPTEMBER 30, 2021

	Employee Retirement Fund	Golf Course/ Team Fund	Total
<u>ADDITIONS</u>			
Employee Contributions.....	\$ 2,612	\$ -	\$ 2,612
Donations.....	-	300	300
Investment Income.....	<u>14,380</u>	<u>47</u>	<u>14,427</u>
Total Additions	<u>16,992</u>	<u>347</u>	<u>17,339</u>
 <u>DEDUCTIONS</u>			
Benefits.....	1,152	-	1,152
Administrative Expense.....	700	-	700
Golf Course/Team Expense.....	-	-	-
Total Deductions	<u>1,852</u>	<u>-</u>	<u>1,852</u>
Change in Net Position	15,140	347	15,487
Net Position - Beginning	<u>187,542</u>	<u>20,601</u>	<u>208,143</u>
Net Position - Ending	<u>\$ 202,682</u>	<u>\$ 20,948</u>	<u>\$ 223,630</u>

See Accompanying "Notes to Financial Statements"

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Hereford operates under a Council-Manager form of government and provides the following services: public safety, streets, sanitation and health, culture and recreation, public improvements, planning and zoning, airport operations, water and sewer utilities, and general administrative service. The following is a summary of the more significant policies:

A. **The Reporting Entity:**

The accompanying financial statements present the City's primary government and the component unit, Hereford Economic Development Corporation (HEDC), over which the City exercises significant influence. Significant influence or accountability is based on operational or financial relationships with the City (as distinct from legal relationships). The HEDC was incorporated in 1994 for the purpose of providing economic assistance to businesses located in or relocating to the City of Hereford and the surrounding area. Separate financial statements for the HEDC are not issued.

B. **Government-Wide and Fund Financial Statements:**

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government and component unit are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements:

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and proprietary funds are reported in separate columns with composite columns for non-major funds.

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

D. Fund Types and Major Funds:

The City considers its General Fund and its Water and Sewer Fund to be major funds.

General Fund:

The General Fund is the primary fund of the City. It is used to account for all financial resources not accounted for in another fund.

Special Revenue Funds:

Special Revenue Funds are used to account for the proceeds of specific resources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds:

Capital Project Funds account for financial resources to be used for the acquisition and construction of major capital facilities, which are not financed by the Water and Sewer Fund.

Water and Sewer Fund:

The Water and Sewer Fund is used to account for operations of the utility system, which is financed and operated in a manner similar to private business enterprises. For the purpose of its statement of cash flows, the City considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Fiduciary Funds (not included in government-wide statements):

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments, or other funds.

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

E. Capital Assets and Depreciation:

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, except for street paving, curbs and gutters. The City is not required to retroactively capitalize infrastructure and has not done so for governmental funds infrastructure. The City, however, will prospectively capitalize all infrastructure. The City's property, plant, equipment, and infrastructure are comprehensively reported in the government-wide statements. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets, including those of the component unit, are depreciated using the straight-line method over the estimated useful lives of the assets. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the operations.

Estimated useful lives are as follows:

Buildings	40 Years
Improvements, Other than Buildings	10-40 Years
Machinery and Equipment	5-20 Years

F. Long-Term Debt:

In the government-wide and proprietary fund financial statements, outstanding debts are reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period and repayments of debt as expenditures of the current period.

G. 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 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.

H. Inventories:

Inventories are stated at cost using the first-in, first-out method.

I. Date of Management's Review:

Management has evaluated subsequent events through March 29, 2023, the date the financial statements were available to be issued.

J. Proprietary Fund Revenues and Expenses:

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges for water and sewer services. Operating expenses for the Water and Sewer Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

K. Restricted Resources:

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

L. FUND EQUITY:

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

- 1) Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
- 2) Restricted net position consists of net assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through enabling legislation.
- 3) Unrestricted net position consists of all other assets that do not meet the definition of "restricted" or "net investment in capital assets."

In the governmental funds financial statements, equity is classified as fund balance. Fund balance is further classified as follows:

- 1) Nonspendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- 2) Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to enabling legislation.
- 3) Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision making authority. The City Council is the highest level of decision making authority that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action by the City Council is taken to remove or revise the limitation.
- 4) Assigned includes fund balance amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be stipulated by the City Council. With the exception of the General Fund, this is the residual fund balance of the classification for all governmental funds with positive balances.
- 5) Unassigned includes the residual balance of the General Fund that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes.

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

M. 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.

N. Defined Benefit Other Postemployment Benefit Plan:

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB plan, and OPEB expense have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms for the OPEB plan.

NOTE 2 - BUDGETS AND ACCOUNTABILITY:

The City Manager submits an annual budget in accordance with applicable state laws and regulations. The budget is presented to the City Commission for review, and public hearings are held to address priorities and the allocation of resources. Before the start of the next fiscal year, the City Commission adopts the budget for City operating funds. Once approved, the City Commission may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

NOTE 3 - RESTRICTED ASSETS:

The Water and Sewer Fund has \$457,194 in cash, which is restricted for debt service of bonds payable and \$1,135,899 in cash, which is restricted for water system improvements.

NOTE 4 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED INFLOWS OF RESOURCES:

Significant receivables include amounts due from customers primarily for utility services and trash collection, and amounts due from property taxes receivable. Allowances for non-collectible accounts have been recorded based on the estimated amount of uncollectible accounts. The allowance in the general fund is \$106,787 and the allowance in the Water and Sewer Fund is \$206,099.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

In the governmental fund financial statements, property taxes receivable are recorded at the total amount of delinquent taxes owed at the fiscal year end. If delinquent taxes are not paid within 60 days of the fiscal year end, they are recorded as a deferred inflow of resources.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when the cash is received. Over time, substantially all property taxes are collected.

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5 - LONG-TERM DEBT:

Long-term debt of the Governmental Funds as of September 30, 2021, consists of the following:

	<u>Balance</u> <u>9-30-20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9-30-21</u>	<u>Due Within</u> <u>One Year</u>
First Financial Bank, monthly payments of \$4,521, including interest at 3.25%, through January 2022, secured by fire truck	\$ 66,262	\$ -	\$ (52,858)	\$ 13,404	\$ 13,404
First Financial Bank, monthly payments of \$3,763, including interest at 3.25%, through November 2021, secured by road grader	51,500	-	(44,121)	7,379	7,379
First Financial Bank, monthly payments of \$2,465, including interest at 4.25%, through March 2023, secured by golf carts	69,971	-	(69,971)	-	-
First Financial Bank, monthly payments of \$4,964, including interest at 3.25%, through January 2026, secured by street sweeper	-	274,080	(274,080)	-	-
Happy State Bank, monthly payments of \$4,948, including interest at 2.99%, through March 2026, secured by street sweeper	-	244,846	-	244,846	52,305
Happy State Bank, monthly payments of \$1,980, including interest at 2.99%, through July 2023, secured by golf carts	-	42,259	-	42,259	22,802
	<u>\$187,733</u>	<u>\$561,185</u>	<u>\$(441,030)</u>	<u>\$307,888</u>	<u>\$ 95,890</u>

Future maturities of long-term debt of the Governmental Funds are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022.....	\$ 95,890	\$ 7,660	\$103,550
2023.....	72,874	5,296	78,170
2024.....	55,036	3,410	58,446
2025.....	56,704	1,741	58,445
2026.....	27,384	229	27,613
	<u>\$307,888</u>	<u>\$ 18,336</u>	<u>\$326,224</u>

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5 - LONG-TERM DEBT (continued):

Long-term debt of the Water and Sewer Fund as of September 30, 2021, consists of the following:

	<u>Balance</u> <u>9-30-20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9-30-21</u>	<u>Due Within</u> <u>One Year</u>
First Financial Bank, monthly payments of \$2,510, including interest at 3.25%, through Jan. 2022, secured by equipment.....	\$ 39,192	\$ -	\$ (29,270)	\$ 9,922	\$ 9,922
Water and Sewer 2020 series general obligation refunding bonds, dated May 14, 2020, due in annual installments through Feb. 15, 2027, bearing interest rates of 4.00% to 5.00%	2,400,000	-	(295,000)	2,105,000	310,000
Water and Sewer 2020 series combination tax and revenue certificates of obligation, dated May 14, 2020, due in annual installments through Feb. 15, 2030, bearing interest rates of 4.00% to 5.00%	<u>3,630,000</u> 6,069,192	<u>-</u> -	<u>(255,000)</u> (579,270)	<u>3,375,000</u> 5,489,922	<u>310,000</u> <u>\$ 629,922</u>
Unamortized premium	<u>804,654</u>	<u>-</u>	<u>(205,098)</u>	<u>599,556</u>	
	<u>\$6,873,846</u>	<u>\$ -</u>	<u>\$ (784,368)</u>	<u>\$6,089,478</u>	

Future maturities of long-term debt of the Water and Sewer Fund are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022.....	\$ 629,922	\$ 237,029	\$ 866,951
2023.....	650,000	205,213	855,213
2024.....	680,000	171,963	851,963
2025.....	720,000	136,962	856,962
2026.....	750,000	100,681	850,681
2027 to 2030.....	<u>2,060,000</u>	<u>144,400</u>	<u>2,204,400</u>
	<u>\$5,489,922</u>	<u>\$ 996,248</u>	<u>\$6,486,170</u>

Revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The City is in compliance with all significant bond indentures and restrictions.

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6 - COMPENSATED ABSENCES:

Employees of the City of Hereford are entitled to paid vacation days and paid sick days depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. It is the policy of the City to recognize the costs of compensated absences when actually paid to employees.

NOTE 7 - RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and other claims of various natures. The City purchases insurance from Texas Municipal League Intergovernmental Risk Pool (TML-IRP) to indemnify it in the event of loss. The City pays annual premiums for such coverage. TML-IRP purchases re-insurance, and the City does not retain risk of loss exceeding deductibles. The City has had no significant reduction in insurance coverage from the previous year and claims have not exceeded coverage in the last three years.

NOTE 8 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City also has one item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable property tax revenue*, is reported only in the general fund balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 9 - NOTES RECEIVABLE:

Notes receivable in the component unit, Hereford Economic Development Corporation, consist of the following:

Note receivable from Hereford Trailer Center, LLC in the original amount of \$100,000, the note is due in full on July 15, 2025 and bears no interest. If certain employment goals are met, a portion of the loan will be forgiven.

This note is unsecured \$100,000

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 - 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 pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits

The City's cash deposits at September 30, 2021, were entirely covered by FDIC insurance and pledged collateral held by the agent bank.

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 be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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.

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, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) local government investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at September 30, 2021, are shown as follows:

<u>Type of Security</u>	<u>Fair Value</u>	<u>Percentage of Total</u>	<u>Credit Rating</u>	<u>Investment Maturity</u>
<u>Primary Government:</u>				
Certificates of Deposit	<u>\$1,806,848</u>	<u>100.00%</u>	N/A	Less than one year

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 - DEPOSITS AND INVESTMENTS (continued):

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. At September 30, 2021, the City's investments are rated as to credit quality as shown above.

B. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by deposit insurance plus the amount of the pledged securities. At year end, the City was not exposed to custodial credit risk.

C. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single user. At year end, the City's exposure to concentration of credit risk is shown above as the percentage of each investment type.

D. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City's exposure to interest rate risk is summarized in the above table. Since the investments are certificates of deposit, the rate of return is guaranteed and the City is not exposed to any interest rate 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.

Investment Accounting Policy

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

NOTE 11 - CITY FARM LEASE:

The City owns farm land near its wastewater treatment facility and leases this land to an individual for agricultural purposes. The lease term is for one year beginning January 1, 2021, with an annual rental of \$62,500.

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 12 - CAPITAL ASSETS:

Following is a summary of the capital asset activity for the year ended September 30, 2021:

	<u>Beginning</u> <u>Of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>End</u> <u>Of Year</u>
<u>Primary Government:</u>				
Governmental Activities:				
Non-Depreciable Assets:				
Land.....	\$ 619,289	\$ -	\$ -	\$ 619,289
Construction in Progress	5,002,383	1,751,957	(6,434,142)	320,198
Depreciable Assets:				
Buildings.....	3,267,191	6,445,813	-	9,713,004
Improvements.....	9,327,998	723,312	-	10,051,310
Machinery & Equipment.	11,320,179	812,941	(417,186)	11,715,934
	<u>29,537,040</u>	<u>9,734,023</u>	<u>(6,851,328)</u>	<u>32,419,735</u>
Accumulated Depreciation	<u>16,333,857</u>	<u>1,038,835</u>	<u>(417,186)</u>	<u>16,955,506</u>
Governmental Activities				
Net Capital Assets	<u>\$13,203,183</u>	<u>\$ 8,695,188</u>	<u>\$(6,434,142)</u>	<u>\$15,464,229</u>
Business-Type Activities:				
Non-Depreciable Assets:				
Land.....	\$ 2,815,123	\$ -	\$ -	\$ 2,815,123
Construction in Progress	1,020,025	3,394,978	-	4,415,003
Depreciable Assets:				
Buildings.....	1,129,362	10,500	-	1,139,862
Water and Sewer System	24,311,903	-	-	24,311,903
Machinery & Equipment.	2,642,120	109,338	-	2,751,458
	<u>31,918,533</u>	<u>3,514,816</u>	<u>-</u>	<u>35,433,349</u>
Accumulated Depreciation	<u>17,221,207</u>	<u>770,024</u>	<u>-</u>	<u>17,991,231</u>
Business-Type Activities				
Net Capital Assets	<u>\$14,697,326</u>	<u>\$ 2,744,792</u>	<u>\$ -</u>	<u>\$17,442,118</u>
Primary Government Net				
Capital Assets.....	<u>\$27,900,509</u>	<u>\$11,439,980</u>	<u>\$(6,434,142)</u>	<u>\$32,906,347</u>
<u>Component Unit:</u>				
Hereford Economic Development Corp:				
Non-Depreciable Assets:				
Land.....	\$ 137,220	\$ -	\$ -	\$ 137,220
Depreciable Assets:				
Furniture & Equipment.	40,061	-	-	40,061
	<u>177,281</u>	<u>-</u>	<u>-</u>	<u>177,281</u>
Accumulated Depreciation	<u>35,618</u>	<u>620</u>	<u>-</u>	<u>36,238</u>
Component Units Net				
Capital Assets.....	<u>\$ 141,663</u>	<u>\$(620)</u>	<u>\$ -</u>	<u>\$ 141,043</u>

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 12 - CAPITAL ASSETS (continued):

Depreciation expense was charged to governmental functions as follows:

General Government.....	\$	3,135
Building and Zoning.....		6,958
Public Safety.....		322,072
Streets and Public Works...		270,344
Sanitation and Health.....		560
Parks and Recreation.....		365,194
Airport.....		70,572
		<u>\$1,038,835</u>

NOTE 13 - DEFERRED COMPENSATION PLAN:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. PEBSICO is the independent plan administrator. Employees who choose to participate may elect the amount of their contributions, within legal limits, and defer federal income taxation on that portion of their salaries and the earnings thereon. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. Under the terms of IRC Section 457, the employee's contributions and all income attributable to the investment of such amounts are the property of the City until paid or made available to the participants or their beneficiaries. The plan assets represent a general liability of the City to its employees whose rights to the fair market value of their participant shares are equal to the rights of other general creditors.

It is the City's opinion that it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 14 -- INTERNAL BALANCES AND TRANSFERS:

Internal balances result from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. There are no interfund balances that are not expected to be repaid by September 30, 2022. Following is a summary of interfund balances:

	<u>Due From:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Other Gov't Funds</u>	<u>Water & Sewer Fund</u>	
<u>Due To:</u>				
General Fund	\$ -	\$ 97,492	\$178,194	\$275,686
Other Gov't Funds	-	-	-	-
Water and Sewer Fund	-	94	-	94
	<u>\$ -</u>	<u>\$ 97,586</u>	<u>\$178,194</u>	<u>\$275,780</u>

The City makes transfers from the Water and Sewer Fund to the General Fund to subsidize expenses of the General Fund when considered necessary by city management. During the year the City transferred \$2,800,000 from the Water and Sewer Fund to the General Fund. The City also transferred \$14,406 from the General Fund and \$6,300 from the Water and Sewer Fund to the Capital Projects Fund as part of its matching requirement for a grant project.

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 15 - EMPLOYEE RETIREMENT PLAN:

A. Plan Description

The City of Hereford participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive Annual Financial Report (Annual Report) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City were as follows:

Employee Deposit Rate	5.0%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	5
Service Retirement Eligibility (Expressed as age/years of service)	60/5,0/25
Updated Service Credits	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	32
Active employees	<u>96</u>
Total	<u>181</u>

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 15 - EMPLOYEE RETIREMENT PLAN (continued):

C. Contributions

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

Employees of the City of Hereford were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Hereford were 10.34% and 10.45% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$579,380, and were equal to the required contributions.

D. Net Pension Liability

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

Actuarial Assumptions

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

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 15 - EMPLOYEE RETIREMENT PLAN (continued):

D. Net Pension Liability (continued)

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

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

Discount Rate

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

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 15 - EMPLOYEE RETIREMENT PLAN (continued):

D. Net Pension Asset (continued)

Changes in the Net Pension Liability

Following is a summary of the changes in Net Pension Liability/(Asset):

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) - (b)
Balance at 12/31/2019	\$23,280,606	\$21,077,824	\$ 2,202,782
Changes for the Year:			
Service Cost	627,925	-	627,925
Interest on Total Pension Liability	1,559,375	-	1,559,375
Changes of Benefit Terms	-	-	-
Difference in Expected/Actual Experience	(496,567)	-	(496,567)
Changes of Assumptions	-	-	-
Benefit Payments, Including Refunds	(985,443)	(985,443)	-
Contributions - Employer	-	558,025	(558,025)
Contributions - Employee	-	269,959	(269,959)
Net Investment Income	-	1,599,611	(1,599,611)
Administrative Expenses	-	(10,353)	10,353
Other	-	(404)	404
Balance at 12/31/2020	<u>\$23,985,896</u>	<u>\$22,509,219</u>	<u>\$ 1,476,677</u>

Sensitivity Analysis

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

	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability/(Asset)	<u>\$4,804,478</u>	<u>\$1,476,677</u>	<u>\$(1,261,326)</u>

Pension Plan Fiduciary Net Position

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

E. Pension Expense and Deferred Inflows/Outflows of Resources

Pension Expense

For the year ended September 30, 2021, the City recognized pension expense of \$156,087 calculated as follows:

Service Cost	\$ 627,925
Interest on Total Pension Liability	1,559,375
Current Period Benefit Changes	-
Employee Contributions	(269,959)
Projected Earnings on Plan Investments	(1,422,753)
Administrative Expense	10,353
Other Changes in Fiduciary Net Position	404
Recognition of Current Year Outflow(Inflow) of Resources:	
Liabilities	(94,047)
Assets	(35,371)
Amortization of Prior Year Outflows(Inflows) of Resources:	
Liabilities	(30,641)
Assets	(189,199)
Total Pension Expense	<u>\$ 156,087</u>

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 15 - EMPLOYEE RETIREMENT PLAN (continued):

E. Pension Expense and Deferred Inflows/Outflows of Resources (continued)
Deferred Inflows/Outflows of Resources

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

	<u>Deferred Inflows</u> <u>of Resources</u>	<u>Deferred Outflows</u> <u>of Resources</u>
Difference in Expected and Actual Experience	\$ (545,231)	\$ -
Difference in Assumption Changes	-	23,970
Difference in Projected and Actual Earnings on Pension Plan Investments	(603,240)	-
Contributions Made Subsequent to the Measurement Date	-	432,396
Total	<u>\$ (1,148,471)</u>	<u>\$ 456,366</u>

The amount of \$432,396 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Net Deferred</u> <u>Outflows</u> <u>(Inflows) of</u> <u>Resources</u>
2021	\$ (368,015)
2022	(127,676)
2023	(474,157)
2024	(128,321)
2025	(26,332)
Thereafter	-
	<u>\$ (1,124,501)</u>

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 16 - SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB):

A. Plan Description

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

B. Benefits Provided

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

As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis. Any excess contributions and investment income over payments then become net position available for postemployment benefits other than pension benefits (OPEB). The City's contributions to SDBF for the year ended September 30, 2021, were \$15,825.

Payments from this fund are similar to group term life insurance benefits, and are paid to the designated beneficiaries upon receipt of an approved application for payment. The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary. The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or claim against, the pension retirement fund.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>96</u>
Total	<u>144</u>

C. Accounting Policies

An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statement No. 75; therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

CITY OF HEREFORD, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 16 - SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) (continued):

D. Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2020 actuarial valuation are as follows:

Actuarial Cost Method	Entry Age Normal
Discount Rate	2.00% as of December 31, 2020
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Retiree's Share of Benefit Related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis with scale UMP to account for future mortality improvements subject to the floor.

E. Total OPEB Liability

Following is a summary of the changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2019	\$ 326,873
Changes for the Year:	
Service Cost	11,878
Interest on Total OPEB Liability	9,108
Changes of Benefit Terms	-
Difference in Expected/Actual Experience	(22,445)
Changes of Assumptions	41,907
Benefit Payments	(3,240)
Balance at 12/31/2020	<u>\$ 364,081</u>

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability/(Asset)	<u>\$431,866</u>	<u>\$364,081</u>	<u>\$309,637</u>

CITY OF HEREFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 16 - SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) (continued):

F. OPEB Expense and Deferred Outflows of Resources

OPEB Expense

For the year ended September 30, 2021, the City recognized OPEB expense of \$29,228 calculated as follows:

Service Cost	\$ 11,878
Interest on Total OPEB Liability	9,108
Current Period Benefit Changes	-
Administrative expenses	-
Recognition of Deferred Outflow of Resources:	
Differences Between Expected and Actual Experience	(6,007)
Changes in Assumptions or Other Inputs	14,249
Total OPEB Expense	<u>\$ 29,228</u>

Deferred Outflows of Resources

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

	<u>Deferred Inflows</u> <u>of Resources</u>	<u>Deferred Outflows</u> <u>of Resources</u>
Difference in Expected and Actual Experience	\$(29,106)	\$ -
Difference in Assumption Changes	-	66,493
Contributions Made Subsequent to the Measurement Date	-	<u>12,413</u>
Total	<u>\$(29,106)</u>	<u>\$ 78,906</u>

The amount of \$12,413 reported as deferred outflows of resources related to OPEB plans resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB plans will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>Net Deferred</u> <u>Outflows of</u> <u>Resources</u>
2021	\$ 8,242
2022	8,242
2023	7,359
2024	6,502
2025	5,658
Thereafter	1,384
	<u>\$ 37,387</u>

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF HEREFORD, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Property Taxes.....	\$ 2,300,000	\$ 2,300,000	\$ 2,245,623	\$ (54,377)
Sales Taxes.....	1,700,000	1,700,000	1,914,592	214,592
Franchise Taxes.....	1,160,000	1,160,000	996,470	(163,530)
Motel Occupancy Taxes.....	200,000	200,000	240,147	40,147
Charges for Services.....	3,552,950	3,552,950	3,481,191	(71,759)
Grant Revenue.....	6,250	6,250	2,514,596	2,508,346
Interest Income.....	5,000	5,000	4,024	(976)
Contributions.....	20,000	20,000	2,322,527	2,302,527
Miscellaneous Revenue.....	7,500	7,500	20,807	13,307
	<u>8,951,700</u>	<u>8,951,700</u>	<u>13,739,977</u>	<u>4,788,277</u>
<u>EXPENDITURES:</u>				
Current:				
General Government	866,730	866,730	726,487	(140,243)
Public Safety	3,873,375	3,873,375	3,796,995	(76,380)
Municipal Court	187,870	187,870	185,857	(2,013)
Streets and Public Works	1,697,020	1,697,020	1,606,431	(90,589)
Sanitation and Health ...	1,667,230	1,667,230	1,581,864	(85,366)
Parks and Recreation	1,696,795	1,696,795	1,892,264	195,469
Airport	341,120	341,120	431,691	90,571
Capital Outlays.....	499,400	499,400	3,086,001	2,586,601
Debt Service:				
Principal Retirement	176,800	176,800	441,030	264,230
Interest Charges	13,000	13,000	11,681	(1,319)
	<u>11,019,340</u>	<u>11,019,340</u>	<u>13,760,301</u>	<u>2,740,961</u>
<u>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES.....</u>	<u>(2,067,640)</u>	<u>(2,067,640)</u>	<u>(20,324)</u>	<u>2,047,316</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In.....	2,067,640	2,067,640	2,800,000	732,360
Loan Proceeds.....	-	-	561,185	561,185
Sale of Assets.....	-	-	41,875	41,875
Transfers Out.....	-	-	(14,406)	(14,406)
	<u>2,067,640</u>	<u>2,067,640</u>	<u>3,388,654</u>	<u>1,321,014</u>
<u>NET CHANGE IN FUND BALANCES ..</u>	<u>-</u>	<u>-</u>	<u>3,368,330</u>	<u>3,368,330</u>
<u>FUND BALANCES:</u>				
Beginning of Year.....	<u>(11,065)</u>	<u>(11,065)</u>	<u>(11,065)</u>	<u>-</u>
End of Year.....	<u>\$ (11,065)</u>	<u>\$ (11,065)</u>	<u>\$ 3,357,265</u>	<u>\$ 3,368,330</u>

CITY OF HEREFORD, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS

	Year Ended December 31									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Pension Liability										
Service Cost	\$ 627,925	\$ 611,741	\$ 585,034	\$ 581,329	\$ 562,047	\$ 523,642	\$ 455,019	N/A	N/A	N/A
Interest on Total Pension Liability	1,559,375	1,485,721	1,439,639	1,360,493	1,291,203	1,244,531	1,189,397	N/A	N/A	N/A
Changes of Benefit Terms	-	-	-	-	-	-	-	N/A	N/A	N/A
Difference Between Expected and Actual Experience	(496,567)	22,838	(356,669)	39,252	(39,300)	226,315	(135,529)	N/A	N/A	N/A
Change of Assumptions	-	39,486	-	-	-	121,878	-	N/A	N/A	N/A
Benefit Payments/Refunds of Contributions	(985,443)	(1,167,990)	(829,336)	(791,429)	(802,731)	(768,568)	(742,564)	N/A	N/A	N/A
Net Change in Total Pension Liability	705,290	991,796	838,668	1,189,645	1,011,219	1,347,798	766,323	N/A	N/A	N/A
Total Pension Liability, Beginning	23,280,606	22,288,810	21,450,142	20,260,497	19,249,278	17,901,480	17,135,157	N/A	N/A	N/A
Total Pension Liability, Ending (a)	\$ 23,985,896	\$ 23,280,606	\$ 22,288,810	\$ 21,450,142	\$ 20,260,497	\$ 19,249,278	\$ 17,901,480	N/A	N/A	N/A
Fiduciary Net Position										
Employer Contributions	\$ 558,025	\$ 561,713	\$ 538,346	\$ 550,350	\$ 507,159	\$ 493,133	\$ 474,595	N/A	N/A	N/A
Member Contributions	289,959	265,974	253,701	253,856	242,680	231,087	216,731	N/A	N/A	N/A
Investment Income Net of Investment Expenses	1,599,611	2,870,048	(574,746)	2,335,508	1,070,828	23,438	862,774	N/A	N/A	N/A
Benefit Payments/Refunds of Contributions	(985,443)	(1,167,990)	(829,336)	(791,429)	(802,731)	(768,568)	(742,564)	N/A	N/A	N/A
Administrative Expenses	(10,353)	(16,217)	(11,109)	(12,105)	(12,096)	(14,276)	(9,008)	N/A	N/A	N/A
Other	(404)	(487)	(580)	(615)	(652)	(705)	(741)	N/A	N/A	N/A
Net Change in Fiduciary Net Position	1,431,395	2,513,041	(623,724)	2,335,565	1,005,188	(35,891)	801,787	N/A	N/A	N/A
Fiduciary Net Position, Beginning	21,077,824	18,564,783	19,188,507	16,852,942	15,847,754	15,883,645	15,081,858	N/A	N/A	N/A
Fiduciary Net Position, Ending (b)	\$ 22,509,219	\$ 21,077,824	\$ 18,564,783	\$ 19,188,507	\$ 16,852,942	\$ 15,847,754	\$ 15,883,645	N/A	N/A	N/A
Net pension liability / (asset), ending = (a)-(b)	\$ 1,476,677	\$ 2,202,782	\$ 3,724,027	\$ 2,261,635	\$ 3,407,555	\$ 3,401,524	\$ 2,017,835	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	93.84%	90.54%	83.29%	89.46%	83.18%	82.33%	88.73%	N/A	N/A	N/A
Pensionable covered payroll	\$ 5,399,182	\$ 5,319,487	\$ 5,074,019	\$ 5,077,113	\$ 4,853,604	\$ 4,621,733	\$ 4,334,622	N/A	N/A	N/A
Net pension liability as a % of covered payroll	27.35%	41.41%	73.39%	44.55%	70.21%	73.60%	46.55%	N/A	N/A	N/A

CITY OF HEREFORD, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN YEARS

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2011	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2014	\$ 474,595	\$ 474,595	\$ -	\$ 4,334,622	10.95%
2015	\$ 493,134	\$ 493,134	\$ -	\$ 4,621,733	10.67%
2016	\$ 507,159	\$ 507,159	\$ -	\$ 4,853,604	10.45%
2017	\$ 550,350	\$ 550,350	\$ -	\$ 5,077,113	10.84%
2018	\$ 538,346	\$ 538,346	\$ -	\$ 5,074,019	10.61%
2019	\$ 561,713	\$ 561,713	\$ -	\$ 5,319,487	10.56%
2020	\$ 558,025	\$ 558,025	\$ -	\$ 5,399,182	10.34%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	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.

Other Information:

Notes

There were no benefit changes during the year.

CITY OF HEREFORD, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS

	Year Ended December 31									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Pension Liability										
Service Cost	\$ 11,878	\$ 8,511	\$ 9,133	\$ 7,616	N/A	N/A	N/A	N/A	N/A	N/A
Interest on Total OPEB Liability	9,108	10,151	9,446	9,481	N/A	N/A	N/A	N/A	N/A	N/A
Changes of Benefit Terms	-	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Difference Between Expected and Actual Experience	(22,445)	(6,808)	(9,866)	-	N/A	N/A	N/A	N/A	N/A	N/A
Change of Assumptions	41,907	47,265	(17,067)	19,746	N/A	N/A	N/A	N/A	N/A	N/A
Benefit Payments/Refunds of Contributions	(3,240)	(3,192)	(3,044)	(3,046)	N/A	N/A	N/A	N/A	N/A	N/A
Net Change in Total OPEB Liability	37,208	55,927	(11,398)	33,797	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB Liability, Beginning	326,873	270,946	282,344	248,547	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB Liability, Ending	\$ 364,081	\$ 326,873	\$ 270,946	\$ 282,344	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll										
Total OPEB liability as a % of covered payroll	\$ 5,399,182	\$ 5,319,487	\$ 5,074,019	\$ 5,077,113	N/A	N/A	N/A	N/A	N/A	N/A
	6.74%	6.14%	5.34%	5.56%	N/A	N/A	N/A	N/A	N/A	N/A

SUPPLEMENTAL INFORMATION SECTION

CITY OF HEREFORD, TEXAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Criminal Justice Enforcement Grant Fund	Voluntary Park Fund	TCDP Grant Fund	
<u>ASSETS</u>				
Cash	\$ 113,279	\$ 163,130	\$ 15,908	\$ 292,317
Due from Other Funds	-	-	-	-
Due from State	-	-	53,750	53,750
Total Assets	<u>\$ 113,279</u>	<u>\$ 163,130</u>	<u>\$ 69,658</u>	<u>\$ 346,067</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ 65,181	\$ 65,181
Due to Other Funds	5,145	87,964	4,477	97,586
Total Liabilities	<u>5,145</u>	<u>87,964</u>	<u>69,658</u>	<u>162,767</u>
<u>FUND BALANCES</u>				
Restricted for Parks	-	75,166	-	75,166
Restricted for Police	108,134	-	-	108,134
Total Fund Balances	<u>108,134</u>	<u>75,166</u>	<u>-</u>	<u>183,300</u>
Total Liabilities and Fund Balances	<u>\$ 113,279</u>	<u>\$ 163,130</u>	<u>\$ 69,658</u>	<u>\$ 346,067</u>

CITY OF HEREFORD, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	<u>Special Revenue</u>		<u>Total</u>	<u>Nonmajor</u>
	<u>Criminal</u>	<u>Capital</u>	<u>Projects</u>	<u>Governmental</u>
	<u>Justice</u>	<u>Voluntary</u>	<u>TCDP Grant</u>	<u>Funds</u>
	<u>Enforcement</u>	<u>Park</u>	<u>Fund</u>	
	<u>Grant Fund</u>	<u>Fund</u>		
<u>REVENUES:</u>				
Grant Revenue	\$ 119,723	-	\$ 128,275	\$ 247,998
Interest Income	253	358	-	611
Contributions	1,000	41,186	-	42,186
	<u>120,976</u>	<u>41,544</u>	<u>128,275</u>	<u>290,795</u>
<u>EXPENDITURES:</u>				
Current:				
Public Safety	-	-	-	-
Parks and Recreations	-	10,000	-	10,000
Capital Outlays	64,900	-	148,981	213,881
	<u>64,900</u>	<u>10,000</u>	<u>148,981</u>	<u>223,881</u>
<u>EXCESS (DEFICIT) OF REVENUES</u>				
<u>OVER EXPENDITURES</u>	<u>56,076</u>	<u>31,544</u>	<u>(20,706)</u>	<u>66,914</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In	-	-	20,706	20,706
<u>NET CHANGE IN FUND BALANCES</u>	<u>56,076</u>	<u>31,544</u>	<u>-</u>	<u>87,620</u>
<u>FUND BALANCES:</u>				
Beginning of Year	<u>52,058</u>	<u>43,622</u>	<u>-</u>	<u>95,680</u>
End of Year	<u>\$ 108,134</u>	<u>\$ 75,166</u>	<u>\$ -</u>	<u>\$ 183,300</u>