

ANNUAL FINANCIAL REPORT

of the

City of Giddings, Texas

**For the Year Ended
September 30, 2020**

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City of Giddings, Texas

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Giddings, Texas:

Report on the Financial Statements

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 Giddings, Texas (the "City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City'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 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 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.

Emphasis of Matter

As discussed in Note V.G. to the financial statements, due to an error in the prior year, the City restated beginning net position within governmental activities. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information noted above is the responsibility of management and was 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
June 14, 2021

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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City of Giddings, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2020

As management of the City of Giddings, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2020 by \$11,897,173.
- The City's total net position increased by \$1,230,177. The majority of the City's net position is invested in capital assets.
- The City's governmental funds reported combined ending fund balances of \$2,005,499 at September 30, 2020, an increase of \$152,823 from the prior fiscal year; this includes an increase of \$35,068 in the general fund, an increase of \$125,744 in the debt service fund, and a decrease of \$7,989 in the nonmajor governmental funds.
- The City's net pension liability decreased by \$1,183,126 compared to the prior fiscal year. The net pension liability outstanding at the close of the fiscal year was \$2,593,676.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses

City of Giddings, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2020

are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and community development. The business-type activities of the City include electric, water, sewer and refuse operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Giddings Economic Development Corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 18 through 21 of this report.

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

City of Giddings, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2020

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service funds which are considered to be major funds. The City's special revenue funds and capital project fund are considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for its general, debt service, hotel tax, and utility funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 22 through 25 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its electric, water, sewer and sanitation operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund since it is considered a major fund of the City.

The basic proprietary fund financial statements can be found on pages 26 through 35 of this report.

Component Unit

The City maintains the accounting and financial statements for one component unit. The Giddings Economic Development Corporation is reported as a discretely presented component unit on the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 37 through 70 of this report.

City of Giddings, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2020

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund. Required supplementary information can be found on page 72 through 89 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Giddings, assets and deferred outflows exceeded liabilities and deferred inflows by \$11,897,173 as of September 30, 2020, in the primary government.

The largest portion of the City's net position, \$10,278,019, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Long-term liabilities of the primary government decreased by \$1,087,090 due to principal payments made on debt in the current year.

Net pension liability of the primary government decreased by \$1,183,126 due primarily to significant net investment income recognized in the current year.

Other liabilities of the primary government decreased by \$111,915 due primarily to timing of repayments to vendors during the course of the current year.

City of Giddings, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2020			2019		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and						
other assets	\$ 3,022,585	\$ 3,880,098	\$ 6,902,683	\$ 2,757,152	\$ 4,099,096	\$ 6,856,248
Capital assets, net	5,891,686	13,255,228	19,146,914	6,025,176	13,211,992	19,237,168
Internal balances	408,050	(408,050)	-	408,050	(408,050)	-
Total Assets	<u>9,322,321</u>	<u>16,727,276</u>	<u>26,049,597</u>	<u>9,190,378</u>	<u>16,903,038</u>	<u>26,093,416</u>
Total Def. Outflows	<u>460,742</u>	<u>249,039</u>	<u>709,781</u>	<u>942,218</u>	<u>413,504</u>	<u>1,355,722</u>
Other liabilities	250,419	683,192	933,611	132,801	912,725	1,045,526
Net pension liability	1,959,004	634,672	2,593,676	2,852,619	924,183	3,776,802
Long-term liabilities	2,716,934	8,039,455	10,756,389	3,127,807	8,715,672	11,843,479
Total Liabilities	<u>4,926,357</u>	<u>9,357,319</u>	<u>14,283,676</u>	<u>6,113,227</u>	<u>10,552,580</u>	<u>16,665,807</u>
Total Def. Inflows	<u>436,964</u>	<u>141,565</u>	<u>578,529</u>	<u>121,334</u>	<u>39,311</u>	<u>160,645</u>
Net Position:						
Net investment in						
capital assets	3,672,122	6,605,897	10,278,019	3,421,590	6,550,154	9,971,744
Restricted	1,299,137	-	1,299,137	1,249,791	-	1,249,791
Unrestricted	(551,517)	871,534	320,017	(773,346)	174,497	(598,849)
Total Net Position	<u>\$ 4,419,742</u>	<u>\$ 7,477,431</u>	<u>\$ 11,897,173</u>	<u>\$ 3,898,035</u>	<u>\$ 6,724,651</u>	<u>\$ 10,622,686</u>

City of Giddings, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

Statement of Activities:

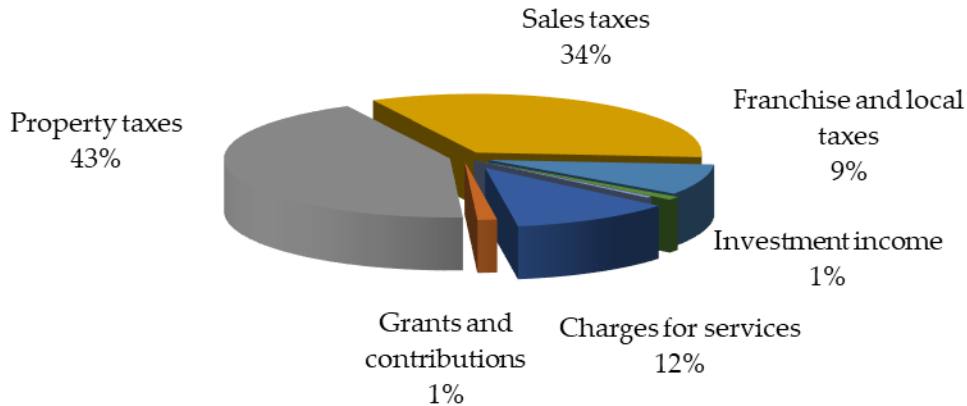
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2020			For the Year Ended September 30, 2019		
	Governmental Activities	Business-Type Activities	Total primary Government	Governmental Activities	Business-Type Activities	Total primary Government
Revenues						
Program revenues:						
Charges for services	\$ 473,688	\$ 8,331,926	\$ 8,805,614	\$ 725,484	\$ 8,412,717	\$ 9,138,201
Grants and contributions	57,145	-	57,145	-	204,253	204,253
General revenues:						
Property taxes	1,775,178	-	1,775,178	1,677,689	-	1,677,689
Sales taxes	1,379,781	-	1,379,781	1,392,246	-	1,392,246
Franchise and local taxes	302,438	-	302,438	334,783	-	334,783
Investment income	38,362	40,221	78,583	27,656	66,379	94,035
Other revenues	19,156	384,677	403,833	4,666	136,770	141,436
Total Revenues	4,045,748	8,756,824	12,802,572	4,162,524	8,820,119	12,982,643
Expenses						
General government	1,374,112	-	1,374,112	1,387,143	-	1,387,143
Public safety	2,307,224	-	2,307,224	2,240,251	-	2,240,251
Public works	416,469	-	416,469	484,546	-	484,546
Culture and recreation	1,057,129	-	1,057,129	1,242,270	-	1,242,270
Interest and fiscal charges	89,867	200,066	289,933	81,332	216,159	297,491
Public utilities	-	6,127,528	6,127,528	-	6,717,471	6,717,471
Total Expenses	5,244,801	6,327,594	11,572,395	5,435,542	6,933,630	12,369,172
Change in Net Position						
Before Transfers	(1,199,053)	2,429,230	1,230,177	(1,273,018)	1,886,489	613,471
Transfers in (out)	1,676,450	(1,676,450)	-	1,692,373	(1,692,373)	-
Total	1,676,450	(1,676,450)	-	1,692,373	(1,692,373)	-
Change in Net Position	477,397	752,780	1,230,177	419,355	194,116	613,471
Beginning Net Position	3,942,345	6,724,651	10,666,996	3,522,990	6,530,535	10,053,525
Ending Net Position	\$ 4,419,742	\$ 7,477,431	\$ 11,897,173	\$ 3,942,345	\$ 6,724,651	\$ 10,666,996

City of Giddings, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

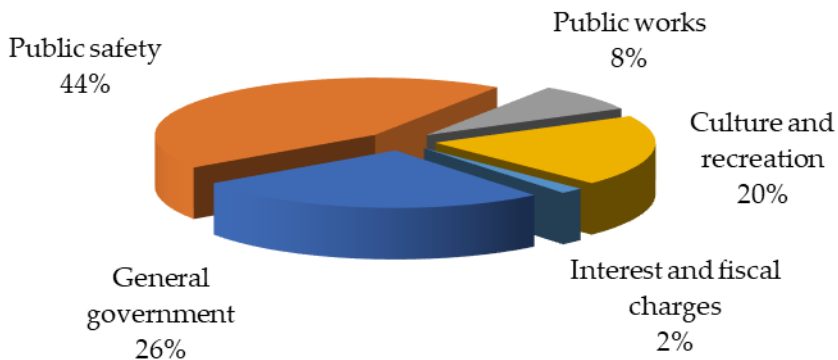
Governmental Activities - Revenues



For the year ended September 30, 2020, revenues from governmental activities totaled \$4,090,058. Overall revenues decreased by \$116,776 or 3%, due primarily to decreases in charges for services over the course of the year. The decline in charges for services of \$251,796 or 35% was a result of reduced municipal court and police citation revenue in the current year. Property tax and sales tax are the City's largest general revenue sources. Property taxes increased \$97,489 or 6% due to an increase in property values. Investment income increased by \$10,706 primarily as a result of greater interest-bearing accounts. Other revenues increased by \$14,490 as a result of nonrecurring proceeds from sale of assets received in the current year. All other revenues remained relatively stable over the course of the fiscal year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



For the year ended September 30, 2020, expenses for governmental activities totaled \$5,244,801. This represents a decrease of \$190,741 or 4% from the prior year. The City's largest functional expense is

City of Giddings, Texas

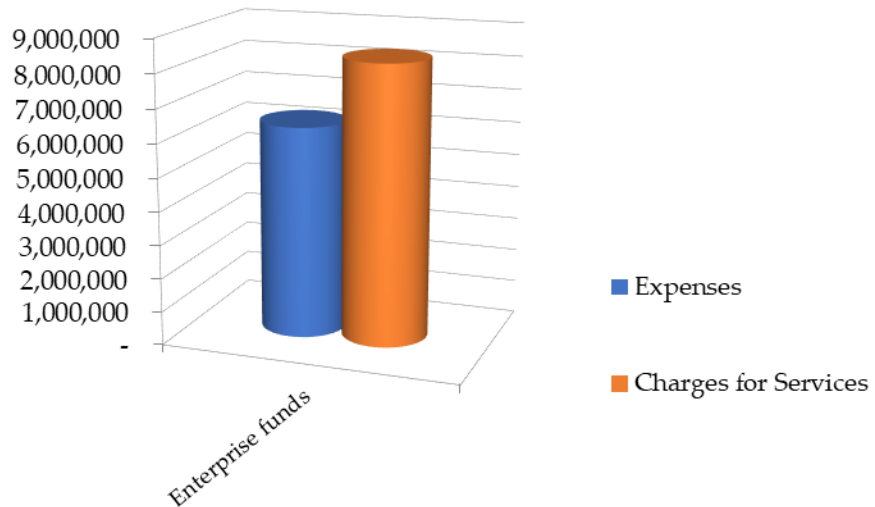
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2020

public safety of \$2,307,224, which remained relatively consistent with the prior year. The primary reasons for the decrease in total expenses was due to a reduction in culture and recreation department personnel costs and nonrecurring library building maintenance incurred in the prior year. This also explains the decrease in culture and recreation expenses on the statement of activities. Public works expenses decreased \$68,077 or 14% primarily as a result of reduced personnel costs in the current year. All other expenses remained relatively stable over the course of the fiscal year.

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2020, charges for services by business-type activities totaled \$8,331,926. This is a decrease of \$80,791, or 1.0% from the previous year, which is considered relatively consistent.

Total expenses decreased \$606,036 or 9% to a total of \$6,327,594. This variance was primarily due to a decrease in the cost of electricity, a reduction in water department repairs/maintenance, and decreased depreciation for the sewer department capital assets.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing

City of Giddings, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

At September 30, 2020, the City's governmental funds reported combined fund balances of \$2,005,499, an increase of \$152,823 in comparison with the prior year. The City has an unassigned fund balance in the general fund of \$324,317. The remainder of the fund balance is either *nonspendable*, *committed*, or *restricted* to indicate that it is 1) not in spendable form (\$19,261), 2) committed by the government for a specific purpose (\$404,943) or 3) restricted for particular purposes (\$1,256,978).

As of the end of the year the general fund reflected a total fund balance of \$481,616. Of this, \$19,261 is considered nonspendable and \$324,317 is unassigned.

The debt service fund had an ending fund balance of \$688,619 at September 30, 2020 compared to the previous year's balance of \$562,875. Total principal and interest payments (including debt issuance costs) for the year were \$379,176 and \$79,279, respectively. Debt service payments were made in accordance with their payment schedules.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a negative variance of \$47,360 for budgeted general fund revenues. The negative variance was primarily due to fines and forfeitures being under budget by \$195,552. There was a positive variance of \$181,796 for budgeted general fund expenditures. This was due to several departments coming below budget for the year. Other financing sources (uses) had a negative budget variance of \$150,094 primarily due to transfers in being less than budgeted. The net of these variances resulted in the total negative budget variance of \$15,658 for the general fund.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$5,891,686 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$13,255,228 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure.

Major capital asset events during the current year include the following:

- Paving improvements for golf course paths and Simang Park Trails totaling \$36,792.
- Purchased new vehicles for the police and parks department totaling \$152,230.
- Purchased John Deere mower for \$29,517.

City of Giddings, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2020

- Investment in AVTEC system for police and water department totaling \$128,445.
- Sanitary and sewer system improvements for \$86,160.
- Improvements to business park lift station for \$212,445.

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

LONG-TERM DEBT

The City's outstanding bonds, notes, and capital leases payable decreased by \$1,054,594 from principal payments made during the fiscal year. The total bonds, notes, and capital leases payable at the close of the fiscal year was \$9,780,128.

The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City and improving services provided to their public citizens. The City budgeted for growth in the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance at 118 East Richmond Street, Giddings Texas, 78942.

FINANCIAL STATEMENTS

City of Giddings, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2020

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Giddings EDC
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 1,328,078	\$ 2,625,927	\$ 3,954,005	\$ 1,512,007
Receivables, net	481,942	1,074,572	1,556,514	138,239
Inventory	5,151	179,599	184,750	-
Prepaid items	14,110	-	14,110	-
Restricted investments	138,038	-	138,038	-
Due from component unit	31,905	-	31,905	-
Internal balances	408,050	(408,050)	-	-
Total Current Assets	2,407,274	3,472,048	5,879,322	1,650,246
Investment in joint venture	1,023,361	-	1,023,361	-
Capital assets:				
Non-depreciable	1,615,098	2,019,090	3,634,188	2,801,111
Net depreciable capital assets	4,276,588	11,236,138	15,512,726	721,488
Total Noncurrent Assets	6,915,047	13,255,228	20,170,275	3,522,599
Total Assets	9,322,321	16,727,276	26,049,597	5,172,845
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	113,673	136,597	250,270	-
Pension outflows	323,958	104,955	428,913	-
OPEB outflows	23,111	7,487	30,598	-
Total Deferred Outflows of Resources	\$ 460,742	\$ 249,039	\$ 709,781	\$ -

See Notes to Financial Statements.

City of Giddings, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Giddings EDC
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 244,029	\$ 511,901	\$ 755,930	\$ 38,015
Customer deposits	-	154,355	154,355	-
Accrued interest payable	6,390	16,936	23,326	3,801
Due to primary government	-	-	-	31,905
Compensated absences, current	175,253	75,501	250,754	-
Debt due within one year	331,328	713,803	1,045,131	125,660
Total Current Liabilities	757,000	1,472,496	2,229,496	199,381
Noncurrent liabilities:				
Net pension liability	1,959,004	634,672	2,593,676	-
OPEB liability	189,469	61,384	250,853	-
Compensated absences, noncurrent	19,473	8,389	27,862	-
Debt due in more than one year	2,001,411	7,180,378	9,181,789	1,223,515
Total Liabilities	4,926,357	9,357,319	14,283,676	1,422,896
Deferred Inflows of Resources				
Pension inflows	433,573	140,467	574,040	-
OPEB inflows	3,391	1,098	4,489	-
Total Deferred Inflows of Resources	436,964	141,565	578,529	-
Net Position				
Net investment in capital assets	3,672,122	6,605,897	10,278,019	2,173,425
Restricted				
Economic development	-	-	-	1,576,524
Debt service	730,778	-	730,778	-
Contingency	138,038	-	138,038	-
Special revenue funds	430,321	-	430,321	-
Unrestricted	(551,517)	871,534	320,017	-
Total Net Position	\$ 4,419,742	\$ 7,477,431	\$ 11,897,173	\$ 3,749,949

See Notes to Financial Statements.

City of Giddings, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 1,374,112	\$ 35,776	\$ 57,145
Public safety	2,307,224	162,189	-
Public works	416,469	75,870	-
Culture and recreation	1,057,129	199,853	-
Interest and fiscal charges	89,867	-	-
Total Governmental Activities	5,244,801	473,688	57,145
Business-Type Activities			
Electric	3,601,170	5,136,975	-
Water	1,164,725	1,354,771	-
Sewer	606,940	850,609	-
Refuse	954,759	989,571	-
Total Business-Type Activities	6,327,594	8,331,926	-
Total Primary Government	\$ 11,572,395	\$ 8,805,614	\$ 57,145
Component Unit			
Giddings EDC	\$ 628,621	\$ -	\$ -

General Revenues:

Taxes:

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Giddings EDC
\$ (1,281,191)	\$ -	\$ (1,281,191)	
(2,145,035)	-	(2,145,035)	
(340,599)	-	(340,599)	
(857,276)	-	(857,276)	
(89,867)	-	(89,867)	
<u>(4,713,968)</u>	<u>-</u>	<u>(4,713,968)</u>	
-	1,535,805	1,535,805	
-	190,046	190,046	
-	243,669	243,669	
-	34,812	34,812	
-	2,004,332	2,004,332	
<u>(4,713,968)</u>	<u>2,004,332</u>	<u>(2,709,636)</u>	
			\$ (628,621)
1,775,178	-	1,775,178	-
1,379,781	-	1,379,781	692,218
302,438	-	302,438	-
38,362	40,221	78,583	25,629
19,156	384,677	403,833	7,750
1,676,450	(1,676,450)	-	-
<u>5,191,365</u>	<u>(1,251,552)</u>	<u>3,939,813</u>	<u>725,597</u>
477,397	752,780	1,230,177	96,976
3,942,345	6,724,651	10,666,996	3,652,973
<u>\$ 4,419,742</u>	<u>\$ 7,477,431</u>	<u>\$ 11,897,173</u>	<u>\$ 3,749,949</u>

City of Giddings, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2020

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 200,172	\$ 293,211	\$ 834,695	\$ 1,328,078
Receivables, net	401,789	42,159	37,994	481,942
Inventory	5,151	-	-	5,151
Prepaid items	14,110	-	-	14,110
Due from other funds	6,720	408,050	-	414,770
Due from component unit	31,905	-	-	31,905
Restricted investments	138,038	-	-	138,038
Total Assets	\$ 797,885	\$ 743,420	\$ 872,689	\$ 2,413,994
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 200,682	\$ 5,922	\$ 37,425	\$ 244,029
Due to other funds	-	6,720	-	6,720
Total Liabilities	200,682	12,642	37,425	250,749
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	69,486	42,159	-	111,645
Unavailable revenue - franchise taxes	46,101	-	-	46,101
Total Deferred Inflows of Resources	115,587	42,159	-	157,746
<u>Fund Balances</u>				
Nonspendable:				
Inventory	5,151	-	-	5,151
Prepaid items	14,110	-	-	14,110
Restricted for:				
Debt service	-	688,619	-	688,619
Contingency	138,038	-	-	138,038
Enabling legislation	-	-	75,449	75,449
Tourism	-	-	312,813	312,813
Law enforcement	-	-	42,059	42,059
Committed for:				
Capital projects	-	-	128,122	128,122
Special revenue	-	-	276,821	276,821
Unassigned reported in:				
General fund	324,317	-	-	324,317
Total Fund Balances	481,616	688,619	835,264	2,005,499
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 797,885	\$ 743,420	\$ 872,689	\$ 2,413,994

See Notes to Financial Statements.

City of Giddings, Texas

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

September 30, 2020

Fund Balances - Total Governmental Funds	\$ 2,005,499
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	1,615,098
Capital assets - net depreciable	4,276,588
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	111,645
Franchise tax receivable	46,101
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 (revenues) until that time	
Pension inflows	(433,573)
OPEB inflows	(3,391)
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure) until then.	
Deferred charge on refunding	113,673
Pension outflows	323,958
OPEB outflows	23,111
Joint venture reporting of investment in airport	1,023,361
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(6,390)
Compensated absences	(194,726)
Net pension liability	(1,959,004)
OPEB liability	(189,469)
Non-current liabilities due in one year	(331,328)
Non-current liabilities due in more than one year	(2,001,411)
Net Position of Governmental Activities	\$ 4,419,742

See Notes to Financial Statements.

City of Giddings, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Property tax	\$ 1,198,988	\$ 580,335	\$ -	\$ 1,779,323
Sales tax	1,379,781	-	-	1,379,781
Franchise and local taxes	172,352	-	174,396	346,748
Intergovernmental revenue	-	-	57,145	57,145
Charges for services	-	-	12,775	12,775
License and permits	75,870	-	-	75,870
Fines and forfeitures	134,848	-	27,341	162,189
Investment income	28,800	-	9,562	38,362
Other revenue	213,248	3,864	6,887	223,999
Total Revenues	3,203,887	584,199	288,106	4,076,192
<u>Expenditures</u>				
Current:				
General government	1,124,322	-	243,117	1,367,439
Public safety	2,172,771	-	39,426	2,212,197
Public works	342,400	-	-	342,400
Culture and recreation	982,733	-	17,742	1,000,475
Capital outlay	221,795	-	-	221,795
Debt Service:				
Principal	15,062	379,176	-	394,238
Interest and fiscal charges	1,152	79,279	-	80,431
Total Expenditures	4,860,235	458,455	300,285	5,618,975
Excess of Revenues				
Over (Under) Expenditures	(1,656,348)	125,744	(12,179)	(1,542,783)
<u>Other Financing Sources (Uses)</u>				
Transfers in	1,672,260	-	95,000	1,767,260
Transfers (out)	-	-	(90,810)	(90,810)
Sale of capital assets	19,156	-	-	19,156
Total Other Financing Sources				
(Uses)	1,691,416	-	4,190	1,695,606
Net Change in Fund Balances	35,068	125,744	(7,989)	152,823
Beginning fund balances	446,548	562,875	843,253	1,852,676
Ending Fund Balances	\$ 481,616	\$ 688,619	\$ 835,264	\$ 2,005,499

See Notes to Financial Statements.

City of Giddings, Texas

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

For the Year Ended September 30, 2020

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

Net changes in fund balances - total governmental funds	\$	152,823
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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 outlay		269,980
Depreciation expense		(403,470)

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

Property taxes		(4,145)
Franchise taxes		(44,310)

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.

Compensated absences		46,671
Accrued interest		282
Pension expense		92,551
OPEB expense		(16,360)

Change in investment in joint venture		(1,145)
---------------------------------------	--	---------

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities.

This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of premium		7,359
Amortization of deferred charge for refunding		(17,077)
Principal payments		394,238

Change in Net Position of Governmental Activities	\$	477,397
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See Notes to Financial Statements.

City of Giddings, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

PROPRIETARY FUNDS

September 30, 2020

	Electric	Water	Sewer	Refuse
<u>Assets</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 401,613	\$ 2,127,010	\$ 68,940	\$ 28,364
Receivables, net	671,970	181,607	97,875	123,120
Inventory	112,503	50,322	16,774	-
Due from other funds	-	8,812	-	-
Total Current Assets	1,186,086	2,367,751	183,589	151,484
<u>Noncurrent Assets</u>				
Capital assets:				
Non-depreciable	499,693	679,913	839,484	-
Net depreciable capital assets	645,527	8,372,029	2,218,582	-
Total Noncurrent Assets	1,145,220	9,051,942	3,058,066	-
Total Assets	2,331,306	11,419,693	3,241,655	151,484
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	5,250	123,367	7,980	-
Pension outflows	51,212	36,072	17,671	-
OPEB outflows	3,653	2,573	1,261	-
Total Deferred Outflows of Resources	60,115	162,012	26,912	-
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts payable				
and accrued liabilities	364,416	42,396	24,772	80,317
Customer deposits	119,297	35,058	-	-
Accrued interest	754	10,985	5,197	-
Compensated absences, noncurrent	21,501	31,670	22,330	-
Long-term debt due in one year	61,941	447,712	204,150	-
Due to other funds	394,212	22,650	-	-
Total Current Liabilities	\$ 962,121	\$ 590,471	\$ 256,449	\$ 80,317

See Notes to Financial Statements.

Total

\$ 2,625,927
1,074,572
179,599
8,812

3,888,910

2,019,090
11,236,138

13,255,228

17,144,138

136,597
104,955
7,487

249,039

511,901
154,355
16,936
75,501
713,803
416,862

\$ 1,889,358

City of Giddings, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

PROPRIETARY FUNDS

September 30, 2020

	Electric	Water	Sewer	Refuse
<u>Noncurrent Liabilities</u>				
Compensated absences, noncurrent	\$ 2,389	\$ 3,519	\$ 2,481	\$ -
Net pension liability	309,685	218,128	106,859	-
OPEB liability	29,952	21,097	10,335	-
Long-term debt due in more than one year	331,816	4,773,614	2,074,948	-
Total Liabilities	\$ 1,635,963	\$ 5,606,829	\$ 2,451,072	\$ 80,317
 <u>Deferred Inflows of Resources</u>				
Pension inflows	68,540	48,277	23,650	-
OPEB inflows	536	377	185	-
Total Deferred Inflows of Resources	69,076	48,654	23,835	-
 <u>Net Position</u>				
Net investment in capital assets	756,712	5,062,238	786,947	-
Unrestricted	(70,330)	863,984	6,713	71,167
Total Net Position	\$ 686,382	\$ 5,926,222	\$ 793,660	\$ 71,167

See Notes to Financial Statements.

Total

\$	8,389
	634,672
	61,384
	7,180,378
\$	9,774,181

	140,467
	1,098
	141,565

	6,605,897
	871,534
\$	7,477,431

City of Giddings, Texas

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

For the Year Ended September 30, 2020

	Electric	Water	Sewer
<u>Operating Revenues</u>			
Charges for services	\$ 5,136,975	\$ 1,354,771	\$ 850,609
Other revenue	133,971	248,228	2,453
Total Operating Revenues	5,270,946	1,602,999	853,062
<u>Operating Expenses</u>			
Cost of sales	2,904,505	93,137	59,349
Personnel	507,910	444,492	182,978
Repairs and maintenance	79,969	117,991	64,021
Administration	50,859	108,644	139,632
Other	10,858	1,682	-
Depreciation	30,752	281,992	93,998
Total Operating Expenses	3,584,853	1,047,938	539,978
Operating Income	1,686,093	555,061	313,084
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	4,458	35,124	287
Interest expense	(16,317)	(116,787)	(66,962)
Total Nonoperating Revenues (Expenses)	(11,859)	(81,663)	(66,675)
Income Before Transfers	1,674,234	473,398	246,409
Transfers in	75,984	562,375	276,471
Transfers (out)	(1,486,792)	(687,555)	(386,933)
Total Transfers	(1,410,808)	(125,180)	(110,462)
Change in Net Position	263,426	348,218	135,947
Beginning Net Position	422,956	5,578,004	657,713
Ending Net Position	\$ 686,382	\$ 5,926,222	\$ 793,660

See Notes to Financial Statements.

<u>Refuse</u>	<u>Total</u>
\$ 989,571	\$ 8,331,926
25	384,677
989,596	8,716,603
943,179	4,000,170
-	1,135,380
-	261,981
4,105	303,240
7,475	20,015
-	406,742
954,759	6,127,528
34,837	2,589,075
352	40,221
-	(200,066)
352	(159,845)
35,189	2,429,230
-	914,830
(30,000)	(2,591,280)
(30,000)	(1,676,450)
5,189	752,780
65,978	6,724,651
71,167	7,477,431
\$ 71,167	\$ 7,477,431

City of Giddings, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2020

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 5,343,583	\$ 1,615,426	\$ 852,754
Payments to suppliers	(2,897,503)	(552,796)	(109,575)
Payments to employees	(561,892)	(561,621)	(332,017)
Net Cash Provided (Used) by Operating Activities	<u>1,884,188</u>	<u>501,009</u>	<u>411,162</u>
<u>Cash Flows from Noncapital</u>			
<u>Financing Activities</u>			
Operating transfers in	75,984	562,375	276,471
Operating transfers (out)	(1,486,792)	(687,555)	(386,933)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,410,808)</u>	<u>(125,180)</u>	<u>(110,462)</u>
<u>Cash Flows from Capital and Related</u>			
<u>Financing Activities</u>			
Capital purchases	-	(442,606)	(7,372)
Principal paid on debt	(86,507)	(372,144)	(201,705)
Interest paid on debt	(15,442)	(129,975)	(74,766)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(101,949)</u>	<u>(944,725)</u>	<u>(283,843)</u>
<u>Cash Flows from Investing Activities</u>			
Interest on investments	4,458	35,124	287
Net Cash Provided by Investing Activities	<u>4,458</u>	<u>35,124</u>	<u>287</u>
Net Increase (Decrease) in Cash and Cash Equivalents	375,889	(533,772)	17,144
Beginning cash and cash equivalents	<u>25,724</u>	<u>2,660,782</u>	<u>51,796</u>
Ending Cash and Cash Equivalents	<u>\$ 401,613</u>	<u>\$ 2,127,010</u>	<u>\$ 68,940</u>

See Notes to Financial Statements.

<u>Refuse</u>	<u>Total</u>
\$ 989,127	\$ 8,800,890
(949,346)	(4,509,220)
(4,105)	(1,459,635)
<u>35,676</u>	<u>2,832,035</u>
-	914,830
<u>(30,000)</u>	<u>(2,591,280)</u>
<u>(30,000)</u>	<u>(1,676,450)</u>
-	(449,978)
-	(660,356)
<u>-</u>	<u>(220,183)</u>
<u>-</u>	<u>(1,330,517)</u>
352	40,221
<u>352</u>	<u>40,221</u>
6,028	(134,711)
<u>22,336</u>	<u>2,760,638</u>
<u>\$ 28,364</u>	<u>\$ 2,625,927</u>

City of Giddings, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2020

	Electric	Water	Sewer
<u>Reconciliation of Operating Income</u>			
<u>to Net Cash Provided by Operating Activities</u>			
Operating Income	\$ 1,686,093	\$ 555,061	\$ 313,084
Adjustments to reconcile operating income to net cash provided:			
Depreciation	30,752	281,992	93,998
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	72,637	12,427	(308)
Deferred outflows - pension	76,877	54,148	26,528
Deferred outflows - OPEB	(3,463)	(2,439)	(1,195)
Deferred inflows - pension	49,757	35,047	17,169
Deferred inflows - OPEB	138	96	47
Increase (Decrease) in:			
Accounts payable and accrued liabilities	93,729	(341,311)	13,795
Customer deposits	4,100	1,325	-
Compensated absences	8,921	-	(5,251)
OPEB liability	5,912	4,164	2,040
Net pension liability	(141,265)	(99,501)	(48,745)
Net Cash Provided (Used) by Operating Activities	\$ 1,884,188	\$ 501,009	\$ 411,162

See Notes to Financial Statements.

<u>Refuse</u>	<u>Total</u>
\$ 34,837	\$ 2,589,075
-	406,742
(469)	84,287
-	157,553
-	(7,097)
-	101,973
-	281
1,308	(232,479)
-	5,425
-	3,670
-	12,116
-	(289,511)
\$ 35,676	\$ 2,832,035
\$ 35,676	\$ 2,832,035

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City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Giddings, Texas (the "City") was incorporated under the laws of the State of Texas in 1913. The City, a home rule municipality, operates as a Council-Manager government. With few exceptions, all powers of the City are vested in an elected council, which enacts local legislation, adopts budgets, determines policies, and appoints the City attorney and the municipal court judge. The Council also appoints the City manager who executes the laws and administers the operations of the City.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. No entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Giddings Economic Development Corporation

Giddings Economic Development Corporation ("GEDC"), is a separate organization that is considered a component unit of the primary government. It has a separate board of directors and does not meet any of the criteria for blending and therefore is discretely presented. GEDC financial statements are presented on the full accrual basis of accounting. Copies of the GEDC's financial statements may be obtained by contacting the City of Giddings, 118 E. Richmond, Giddings, Texas 78942. The GEDC is authorized to act on behalf of the City in

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

order to encourage the promotion and development of commercial, industrial and manufacturing enterprises within the area.

B. Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has one discretely presented component unit and is shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

The government reports the following major governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and culture and recreation.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes.

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise funds:

Electric Fund

The electric fund is used to account for the operations that provide electric services to the public.

Water Fund

The water fund is used to account for the operations that provide water to the citizens of the City and surrounding area.

Sewer Fund

The sewer fund is used to account for the operations that provide wastewater collection and wastewater treatment operations.

Refuse Fund

The refuse fund is used to account for the operations that provide refuse operations to the citizens of the City.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City utilizes the modified accrual basis of accounting in the governmental fund type and component units. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net position, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

2. Fair Value

The City has applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

City of Giddings, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

6. Restricted Assets

The City co-owned a certificate of deposit with Windsor Energy at Citizens National Bank. Windsor Energy is now bankrupt and the City is the sole active owner. The bank will not release the money out of the certificate of deposit because Windsor Energy is still listed as co-owner. The City attorney is aware of the matter. The City reports the entire amount of the certificate of deposit, \$138,038, as a restricted asset on its financial statements.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles and equipment	2 to 15 years
Furniture and fixtures	5 to 10 years
Infrastructure	20 to 40 years
Utility systems	20 to 40 years
Buildings and improvements	10 to 30 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of 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 government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

10. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

12. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

13. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

City of Giddings, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

14. 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

15. 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.

16. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan.

City of Giddings, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, special revenue, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the department level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year.

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

A. Expenditures in Excess of Appropriations

For the year ended, expenditures exceeded budget as follows:

General Fund:		
Cemetery	\$	3,922
City council		8,105
Police		47,523
Capital outlay		58,285
Principal		15,062
Interest		1,152

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2020, the primary government had the following investments:

Investment Type	Carrying Value	Average Maturity (Years)
Certificates of deposit	\$ 138,038	0.54

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the

City of Giddings, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

deposits. As of September 30, 2020, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

B. Receivables

The following comprise receivable balances of the primary government at year end:

Governmental Funds

	General	Debt Service	Nonmajor Governmental	Total
Property taxes	\$ 69,487	\$ 42,159	\$ -	\$ 111,646
Sales tax	267,526	-	-	267,526
Franchise and local taxes	55,759	-	37,994	93,753
Other	9,017	-	-	9,017
Total	\$ 401,789	\$ 42,159	\$ 37,994	\$ 481,942

Enterprise Funds

	Electric	Water	Sewer	Refuse	Total
Accounts	\$ 770,241	\$ 202,995	\$ 118,659	\$ 140,221	\$ 1,232,116
Allowance	(98,271)	(21,388)	(20,784)	(17,101)	(157,544)
Total	\$ 671,970	\$ 181,607	\$ 97,875	\$ 123,120	\$ 1,074,572

The component unit accounts receivable as of September 30, 2020 amounting to \$133,763 and \$4,476 was related to sales tax and other receivables, respectively.

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,615,098	\$ -	\$ -	\$ 1,615,098
Total capital assets not being depreciated	<u>1,615,098</u>	<u>-</u>	<u>-</u>	<u>1,615,098</u>
Capital assets, being depreciated:				
Buildings and improvements	6,060,597	19,300	-	6,079,897
Infrastructure	4,282,547	36,792	-	4,319,339
Machinery and equipment	3,182,531	213,888	-	3,396,419
Total capital assets being depreciated	<u>13,525,675</u>	<u>269,980</u>	<u>-</u>	<u>13,795,655</u>
Less accumulated depreciation				
Buildings and improvements	(2,807,397)	(191,087)	-	(2,998,484)
Infrastructure	(3,556,838)	(86,388)	-	(3,643,226)
Machinery and equipment	(2,751,362)	(125,995)	-	(2,877,357)
Total accumulated depreciation	<u>(9,115,597)</u>	<u>(403,470)</u>	<u>-</u>	<u>(9,519,067)</u>
Net capital assets being depreciated	<u>4,410,078</u>	<u>(133,490)</u>	<u>-</u>	<u>4,276,588</u>
Total Capital Assets	<u>\$ 6,025,176</u>	<u>\$ (133,490)</u>	<u>\$ -</u>	<u>\$ 5,891,686</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 25,872
Public safety	184,833
Public works	78,529
Culture and recreation	114,236
Total Governmental Activities Depreciation Expense	<u>\$ 403,470</u>

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 2,019,090	\$ -	\$ -	\$ 2,019,090
Construction in progress	1,636,898	298,604	(1,935,502)	-
Total capital assets not being depreciated	<u>3,655,988</u>	<u>298,604</u>	<u>(1,935,502)</u>	<u>2,019,090</u>
Capital assets, being depreciated:				
Machinery and equipment	1,928,458	151,374	1,935,502	4,015,334
Plant distribution/collection system	23,518,372	-	-	23,518,372
Total capital assets being depreciated	<u>25,446,830</u>	<u>151,374</u>	<u>1,935,502</u>	<u>27,533,706</u>
Less accumulated depreciation				
Machinery and equipment	(1,530,980)	(66,180)	-	(1,597,160)
Plant distribution/collection system	(14,359,846)	(340,562)	-	(14,700,408)
Total accumulated depreciation	<u>(15,890,826)</u>	<u>(406,742)</u>	<u>-</u>	<u>(16,297,568)</u>
Net capital assets being depreciated	<u>9,556,004</u>	<u>(255,368)</u>	<u>1,935,502</u>	<u>11,236,138</u>
Total Capital Assets	<u><u>\$ 13,211,992</u></u>	<u><u>\$ 43,236</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,255,228</u></u>

Depreciation was charged to business-type activities as follows:

Electric	\$ 30,752
Water	281,992
Sewer	93,998
Total Business-Type Activities Depreciation Expense	<u><u>\$ 406,742</u></u>

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

A summary of changes in component unit capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 2,176,735	\$ 16,481	\$ -	\$ 2,193,216
Construction in progress	607,895	-	-	607,895
Total capital assets not being depreciated	<u>2,784,630</u>	<u>16,481</u>	<u>-</u>	<u>2,801,111</u>
Capital assets, being depreciated:				
Buildings and improvements	1,084,696	-	-	1,084,696
Machinery and equipment	7,855	-	-	7,855
Total capital assets being depreciated	<u>1,092,551</u>	<u>-</u>	<u>-</u>	<u>1,092,551</u>
Less accumulated depreciation				
Buildings and improvements	(328,530)	(34,678)	-	(363,208)
Machinery and equipment	(7,855)	-	-	(7,855)
Total accumulated depreciation	<u>(336,385)</u>	<u>(34,678)</u>	<u>-</u>	<u>(371,063)</u>
Net capital assets being depreciated	<u>756,166</u>	<u>(34,678)</u>	<u>-</u>	<u>721,488</u>
Total Capital Assets	<u><u>\$ 3,540,796</u></u>	<u><u>\$ (18,197)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,522,599</u></u>

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 2,615,840	\$ -	\$ (379,176)	\$ 2,236,664	\$ 316,198
Capital leases	30,192	-	(15,062)	15,130	15,130
Deferred amounts:					
Premium	88,304	-	(7,359)	80,945	-
Total Governmental Activities	<u>\$ 2,734,336</u>	<u>\$ -</u>	<u>\$ (401,597)</u>	<u>\$ 2,332,739</u>	<u>\$ 331,328</u>
Long-term liabilities due in more than one year				<u>\$ 2,001,411</u>	
Business-Type Activities:					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 4,799,160	\$ -	\$ (420,826)	\$ 4,378,334	\$ 493,803
Certificates of Obligation	3,365,000	-	(215,000)	3,150,000	220,000
Note payable	24,530	-	(24,530)	-	-
Deferred amounts:					
Premium	397,494	-	(31,647)	365,847	-
Total Business-Type Activities	<u>\$ 8,586,184</u>	<u>\$ -</u>	<u>\$ (692,003)</u>	<u>\$ 7,894,181</u>	<u>\$ 713,803</u>
Long-term liabilities due in more than one year				<u>\$ 7,180,378</u>	
Component Unit Activities:					
Bonds, notes and other payables:					
Revenue Bonds	\$ 1,469,421	\$ -	\$ (120,246)	\$ 1,349,175	\$ 125,660
Total Component Unit Activities	<u>\$ 1,469,421</u>	<u>\$ -</u>	<u>\$ (120,246)</u>	<u>\$ 1,349,175</u>	<u>\$ 125,660</u>
Long-term liabilities due in more than one year				<u>\$ 1,223,515</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Long-term debt at year end was comprised of the following debt issues:

<u>Description</u>	<u>Interest Rate</u>	<u>Original Balance</u>	<u>Current Balance</u>
Governmental Activities:			
General Obligation Bonds:			
2015 General obligation refunding bonds	2.23%	\$ 1,281,066	\$ 754,968
2017 General obligation refunding bonds	2.23%	1,677,615	1,481,696
Total General Obligation Bonds		<u>4,151,541</u>	<u>2,236,664</u>
Capital Leases:			
Air Packs	3.75%	75,415	15,130
Total Governmental Activities		<u>\$ 6,085,241</u>	<u>\$ 2,251,794</u>
Business-type Activities:			
General Obligation Bonds:			
2015 General obligation refunding bonds	2.23%	\$ 2,613,935	\$ 1,575,032
2017 General obligation refunding bonds	2.23%	3,172,385	2,803,302
Total General Obligation Bonds		<u>8,823,460</u>	<u>4,378,334</u>
Certificates of Obligation:			
2017 Certificates of obligation	2.23%	3,640,000	3,150,000
Total Business-Type Activities		<u>\$ 15,107,385</u>	<u>\$ 7,528,334</u>
Total Combined Long-Term Debt:			
General obligation refunding bonds		\$ 12,975,001	\$ 6,614,998
Certificates of Obligation		5,498,285	3,150,000
Capital lease		75,415	15,130
Total		<u>\$ 21,192,626</u>	<u>\$ 9,780,128</u>
Discretely Presented Component Unit:			
Revenue Bonds:			
2014 Sales tax revenue bonds	4.55%	\$ 2,000,000	\$ 1,349,175

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

General Obligation Bonds:

<u>Year ending September 30,</u>	<u>G.O. Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 316,198	\$ 71,270
2022	322,488	65,061
2023	328,547	56,624
2024	341,306	47,372
2025	348,353	38,420
2026	363,458	29,345
2027	216,315	21,187
Total	<u>\$ 2,236,664</u>	<u>\$ 329,279</u>

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

Capital Leases:

<u>Year ending September 30,</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 15,130	\$ 585
Total	<u>\$ 15,130</u>	<u>\$ 585</u>

The net book value of the SCBA air packs leased related to the capital lease obligation was \$19,132 as of September 30, 2020.

This lease is collateralized by the related asset being leased. If the City is unable to make payments as scheduled, they may forfeit the property to the lessor as a possible remedy.

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

General Obligation Bonds:

<u>Year ending September 30,</u>	<u>G.O. Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 493,803	\$ 101,621
2022	497,512	90,683
2023	516,453	79,302
2024	538,692	65,682
2025	536,648	51,219
2026	551,542	36,432
2027	258,685	25,338
2028	490,000	29,600
2029	155,000	16,700
2030	165,000	10,300
2031	175,000	3,500
Total	<u>\$ 4,378,334</u>	<u>\$ 510,376</u>

Certificates of Obligation and Revenue Bonds:

<u>Year ending September 30,</u>	<u>Certificates of Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 220,000	\$ 102,600
2022	225,000	98,150
2023	230,000	92,450
2024	240,000	85,400
2025	245,000	78,125
2026	255,000	70,625
2027	260,000	62,900
2028	270,000	53,600
2029	280,000	42,600
2030	295,000	37,000
2031	305,000	25,200
2032	325,000	13,000
Total	<u>\$ 3,150,000</u>	<u>\$ 761,650</u>

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The annual requirements to amortize component unit debt issues outstanding at year ending were as follows:

Year ending September 30,	Revenue Bonds	
	Principal	Interest
2021	\$ 125,660	\$ 83,701
2022	131,133	76,196
2023	136,845	68,228
2024	142,690	59,943
2025	149,020	50,797
2026	155,510	41,260
2027	162,283	31,135
2028	169,310	20,449
2029	176,725	8,973
	\$ 1,349,175	\$ 440,682

E. Deferred Charge on Refunding

Deferred charges resulting from the issuance of the 2015 and 2017 general obligation refunding bonds have been recorded as a deferred outflow of resources and are being amortized to interest expense over the terms of the respective refunded debts. Current year balances for governmental and business-type activities totaled \$113,673 and \$136,597, respectively. Current year amortization expense for governmental and business-type activities totaled \$17,077 and \$14,009, respectively.

F. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general and enterprise funds to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 241,397	\$ 20,698	\$ (67,369)	\$ 194,726	\$ 175,253
Total Governmental Activities	\$ 241,397	\$ 20,698	\$ (67,369)	\$ 194,726	\$ 175,253
				\$ 19,473	
Business-Type Activities:					
Compensated Absences	\$ 80,220	\$ 11,164	\$ (7,494)	\$ 83,890	\$ 75,501
Total Business-Type Activities	\$ 80,220	\$ 11,164	\$ (7,494)	\$ 83,890	\$ 75,501
				\$ 8,389	

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

G. Interfund Transactions

Transfers between the primary governmental funds during the 2020 year were as follows:

Transfer out:	Transfer In					Nonmajor Gov.	Total
	General	Electric	Water	Sewer			
Electric	\$ 1,171,500	\$ -	\$ 255,292	\$ -	\$ 60,000	\$ 1,486,792	
Water	315,100	75,984	-	276,471	20,000	687,555	
Sewer	64,850	-	307,083	-	15,000	386,933	
Refuse	30,000	-	-	-	-	30,000	
Nonmajor gov.	90,810	-	-	-	-	90,810	
	<u>\$ 1,672,260</u>	<u>\$ 75,984</u>	<u>\$ 562,375</u>	<u>\$ 276,471</u>	<u>\$ 95,000</u>	<u>\$ 2,682,090</u>	

Amounts transferred between funds relate to amounts collected, various capital expenditures, annual funding, and debt payments.

The composition of interfund balances as of year-end were as follows:

Payable Funds	Receivable Funds			
	General	Debt Service	Water	Total
Debt Service	\$ 6,720	\$ -	\$ -	\$ 6,720
Electric	-	385,400	8,812	394,212
Water	-	22,650	-	22,650
	<u>\$ 6,720</u>	<u>\$ 408,050</u>	<u>\$ 8,812</u>	<u>\$ 423,582</u>

Amounts recorded as “due to/from” are considered to be temporary loans and will be repaid during the following year.

H. Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The following is a list of fund balances restricted/committed by the City:

	Restricted	Committed
Debt service	\$ 688,619	\$ -
Contingency	138,038	-
Enabling legislation	75,449	-
Tourism	312,813	-
Law enforcement	42,059	-
Capital projects	-	128,122
Special revenue	-	276,821
	\$ 1,256,978	\$ 404,943

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with 2,800 other entities in the Texas Municipal League’s Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the

City of Giddings, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations, if indicated.

D. Pension Plans

1. Plan Description

The City of Giddings, Texas participates as one of 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.tmrs.com.

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

2. 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 payments 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.

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

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Plan provisions for the City were as follows:

	<u>Plan Year 2019</u>	<u>Plan Year 2018</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	52
Active employees	64
Total	157

3. Contributions

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

Employees for the City of Giddings were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Giddings were 18.19% and 18.83% in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$557,588, and were equal to the required contributions.

4. 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.

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2020

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

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

Discount Rate:

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

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/18	\$ 16,091,084	\$ 12,314,282	\$ 3,776,802
Changes for the year:			
Service Cost	479,940	-	479,940
Interest (on the Total Pension Liab.)	1,079,769	-	1,079,769
Change in assumptions	2,385	-	2,385
Difference between expected and actual experience	(87,072)	-	(87,072)
Contributions – employer	-	558,547	(558,547)
Contributions – employee	-	207,638	(207,638)
Net investment income (loss)	-	1,903,044	(1,903,044)
Benefit payments, including refunds of emp. contributions	(668,962)	(668,962)	-
Administrative expense	-	(10,757)	10,757
Other changes	-	(324)	324
Net changes	806,060	1,989,186	(1,183,126)
Balance at 12/31/19	\$ 16,897,144	\$ 14,303,468	\$ 2,593,676

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 4,839,038	\$ 2,593,676	\$ 740,193

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.

5. Pension Expense and Deferred Outflows of Resources Related to Pensions

Pension expense for the year ended September 30, 2020 was \$435,052.

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	\$ -	\$ (435,264)
Changes in actuarial assumptions	1,628	-
Differences between expected and actual economic experience	-	(138,776)
Contributions subsequent to the measurement date	427,285	-
Total	\$ 428,913	\$ (574,040)

The City reported \$427,285 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$ (213,695)
2021	(169,048)
2022	24,695
2023	(214,364)
2024	-
Thereafter	-
	\$ (572,412)

Other Postemployment Benefits

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.

City of Giddings, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

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.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	8
Active employees	64
Total	104

The City's retiree contribution rates to the TMRS SDBF for the years ended 2020, 2019 and 2018 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2018	0.06%	0.06%	100.0%
2019	0.07%	0.07%	100.0%
2020	0.07%	0.07%	100.0%

The City's contributions to the TMRS SDBF for the years ended 2020, 2019, and 2018 were \$2,129, \$2,010, and \$1,760, respectively, which equaled the required contributions each year.

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2019, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	2.75%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.75%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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 (1.75%)	Current Single Rate Assumption 2.75%	1% Increase (3.75%)
\$ 300,622	\$ 250,853	\$ 211,962

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/18	\$ 201,342
Changes for the year:	
Service Cost	8,602
Interest	7,592
Difference between expected and actual experience	(4,527)
Changes of assumptions	39,920
Benefit payments	(2,076)
Net changes	49,511
Balance at 12/31/19	\$ 250,853

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$23,789.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ (4,489)
Changes in assumptions	28,954	-
Contributions subsequent to measurement date	1,644	-
Total	\$ 30,598	\$ (4,489)

The City reported \$1,644 as deferred outflows and inflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2021.

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2020	\$ 7,596
2021	6,903
2022	5,148
2023	4,818
2024	-
Thereafter	-
Total	\$ 24,465

E. Related Organizations and Joint Ventures

The City of Giddings and Lee County co-own and co-operate an airport. Each entity has a 50 percent ownership interest in the airport. The City's share is reported as "investment in joint venture" on the statement of net position.

The following is the condensed balance sheet and income statement for the airport as of September 30, 2020:

Balance Sheet	
<u>Assets</u>	
Current assets	\$ 204,117
Fixed assets, net	1,842,711
Total Assets	\$ 2,046,828
 <u>Liabilities and Retained Earnings</u>	
Current liabilities	\$ 106
Total Liabilities	106
Retained earnings	2,046,722
Total Liabilities and Retained Earnings	\$ 2,046,828
City of Giddings Investment in Airport (50%)	\$ 1,023,361

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Income Statement	
<u>Operating Revenue</u>	
Charges for services	\$ 123,112
Total Operating Revenue	123,112
 <u>Operating Expenses</u>	
Cost of sales	50,558
Depreciation	78,486
Total Operating Expenses	129,044
 <u>Other Income (Expense)</u>	
Interest income	3,642
Total Other Income (Expense)	3,642
 <u>Net Loss</u>	 \$ (2,290)
 Net Loss attributable to the City of Giddings (50%)	 \$ (1,145)

G. Related Party Activity

Council member Alan Casey owns Computer Network Technologies, and the City incurred \$20,739 for services performed during the year.

Council member Joel Lopez owns Lopez Auto Clinic, and the City incurred \$11,880 for services performed during the year.

H. Restatement

The City restated the beginning net position of governmental activities due to an adjustment to franchise tax receivable due to underpayments noted by one of the payors over several years.

The restatement of beginning net position balance was as follows:

	Governmental Activities
Prior year ending net position balance, as reported	\$ 3,898,035
Franchise tax receivable adjustment	44,310
Restated beginning net position balance	\$ 3,942,345

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

I. Subsequent Events

In December 2020, the GEDC received notification from the Internal Revenue Service that its annual tax returns had not been filed for three consecutive fiscal years. As such, the GEDC lost its nonprofit (501c4) tax status. The GEDC is currently in the progress of reinstating its nonprofit tax status.

There were no other material subsequent events through June 14, 2021, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Giddings, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 1,218,647	\$ 1,198,988	\$ (19,659)
Sales tax	1,300,000	1,379,781	79,781
Franchise and local taxes	158,100	172,352	14,252
License and permits	71,000	75,870	4,870
Fines and forfeitures	330,400	134,848	(195,552)
Investment income	13,500	28,800	15,300
Other revenue	159,600	213,248	53,648
Total Revenues	3,251,247	3,203,887	(47,360)
<u>Expenditures</u>			
Current:			
General government:			
Administration	668,150	614,231	53,919
Cemetery	87,293	91,215	(3,922) *
City council	246,309	254,414	(8,105) *
Code enforcement	169,975	164,462	5,513
Public safety:			
Police	1,727,966	1,775,489	(47,523) *
Fire	108,051	105,571	2,480
Animal control	132,971	122,494	10,477
Municipal court	177,159	169,217	7,942
Public works:			
Streets and transportation	530,793	342,400	188,393
Culture and recreation:			
Library	305,062	297,511	7,551
Parks and recreation	397,634	360,388	37,246
Golf course	327,158	324,834	2,324
Capital outlay	163,510	221,795	(58,285) *
Debt service:			
Principal	-	15,062	(15,062) *
Interest	-	1,152	(1,152) *
Total Expenditures	5,042,031	4,860,235	181,796
Revenues Over (Under) Expenditures	(1,790,784)	(1,656,348)	134,436

City of Giddings, Texas

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 2 of 2)
For the Year Ended September 30, 2020**

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Other Financing Sources (Uses)</u>			
Transfers in	\$ 1,834,010	\$ 1,672,260	\$ (161,750)
Sale of capital assets	7,500	19,156	11,656
Total Other Financing Sources (Uses)	1,841,510	1,691,416	(150,094)
Net Change in Fund Balance	\$ 50,726	35,068	\$ (15,658)
Beginning fund balance		446,548	
Ending Fund Balance		\$ 481,616	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- * 2. Expenditures exceeded appropriations at the legal level of control.

City of Giddings, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	¹ 12/31/2019	12/31/2018	12/31/2017
Total pension liability			
Service cost	\$ 479,940	\$ 475,192	\$ 469,160
Interest (on the Total Pension Liability)	1,079,769	1,034,016	971,939
Differences between expected and actual experience	(87,072)	(218,573)	29,574
Changes of assumptions	2,385	-	-
Benefit payments, including refunds of participant contributions	(668,962)	(561,412)	(546,661)
Net change in total pension liability	<u>806,060</u>	<u>729,223</u>	<u>924,012</u>
Total pension liability - beginning	<u>16,091,084</u>	<u>15,361,861</u>	<u>14,437,849</u>
Total pension liability - ending (a)	<u>\$ 16,897,144</u>	<u>\$ 16,091,084</u>	<u>\$ 15,361,861</u>
Plan fiduciary net position			
Contributions - employer	\$ 558,547	\$ 574,326	\$ 529,991
Contributions - members	207,638	207,637	195,716
Net investment income (loss)	1,903,044	(373,423)	1,496,773
Benefit payments, including refunds of participant contributions	(668,962)	(561,412)	(546,661)
Administrative expenses	(10,757)	(7,221)	(7,763)
Other	(324)	(377)	(394)
Net change in plan fiduciary net position	<u>1,989,186</u>	<u>(160,470)</u>	<u>1,667,662</u>
Plan fiduciary net position - beginning	<u>12,314,282</u>	<u>12,474,752</u>	<u>10,807,090</u>
Plan fiduciary net position - ending (b)	<u>\$ 14,303,468</u>	<u>\$ 12,314,282</u>	<u>\$ 12,474,752</u>
Fund's net pension liability - ending (a) - (b)	<u>\$ 2,593,676</u>	<u>\$ 3,776,802</u>	<u>\$ 2,887,109</u>
Plan fiduciary net position as a percentage of the total pension liability	84.65%	76.53%	81.21%
Covered payroll	\$ 2,966,252	\$ 2,966,241	\$ 2,795,945
Fund's net pension liability as a percentage of covered payroll	87.44%	127.33%	103.26%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
\$ 461,450	\$ 426,193	\$ 341,838
920,222	890,437	837,220
(97,412)	(6,459)	(24,095)
-	58,831	-
(497,219)	(451,262)	(422,533)
<u>787,041</u>	<u>917,740</u>	<u>732,430</u>
<u>13,650,808</u>	<u>12,733,068</u>	<u>12,000,638</u>
<u>\$ 14,437,849</u>	<u>\$ 13,650,808</u>	<u>\$ 12,733,068</u>
\$ 511,169	\$ 499,368	\$ 447,456
192,156	189,780	178,466
671,591	14,305	513,908
(497,219)	(451,262)	(422,533)
(7,585)	(8,713)	(5,365)
(408)	(430)	(441)
<u>869,704</u>	<u>243,048</u>	<u>711,491</u>
<u>9,937,386</u>	<u>9,694,338</u>	<u>8,982,847</u>
<u>\$ 10,807,090</u>	<u>\$ 9,937,386</u>	<u>\$ 9,694,338</u>
<u>\$ 3,630,759</u>	<u>\$ 3,713,422</u>	<u>\$ 3,038,730</u>
74.85%	72.80%	76.14%
\$ 2,745,092	\$ 2,711,149	\$ 2,549,518
132.26%	136.97%	119.19%

City of Giddings, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	¹ 9/30/2020	9/30/2019	9/30/2018	9/30/2017
Actuarially determined employer Contributions in relation to the actuarially determined contribution	\$ 557,588	\$ 563,025	\$ 565,130	\$ 522,065
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 3,041,007	\$ 2,970,448	\$ 2,932,720	\$ 2,844,838
Employer contributions as a percentage of covered payroll	18.34%	18.95%	19.27%	18.35%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.0% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2016</u>	<u>9/30/2015</u>
\$ 528,237	\$ 497,310
<u>\$ 528,237</u>	<u>\$ 497,310</u>
\$ -	\$ -
\$ 2,845,909	\$ 2,710,607
18.56%	18.35%

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City of Giddings, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Year Ended:

	¹ 12/31/2019	12/31/2018	12/31/2017
Total OPEB liability			
Service cost	\$ 8,602	\$ 10,382	\$ 8,388
Interest	7,592	6,803	6,658
Changes of assumptions	39,920	(13,663)	15,047
Differences in experience	(4,527)	(1,617)	-
Benefit payments, including refunds of participant contributions	(2,076)	(1,780)	(1,678)
Net changes	49,511	125	28,415
Total OPEB liability - beginning	201,342	201,217	172,802
Total OPEB liability - ending	² \$ 250,853	\$ 201,342	\$ 201,217
 Covered payroll	 \$ 2,966,252	 \$ 2,966,241	 \$ 2,795,945
Total OPEB Liability as a percentage of covered payroll	8.46%	6.79%	7.20%

Notes to schedule:

- ¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.
- ² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

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***COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES***

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes.

CAPITAL PROJECTS FUND

Capital projects fund is used to account for the acquisition and construction of major capital facilities other than those finance by proprietary funds and trust funds.

City of Giddings, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2020

	Special Revenue Funds			
	Hotel Occupancy Tax	Cemetery Improvement	Library	Municipal Court
Assets				
Cash and cash equivalents	\$ 274,819	\$ 74,899	\$ 16,877	\$ 75,449
Receivables, net	37,994	-	-	-
Total Assets	\$ 312,813	\$ 74,899	\$ 16,877	\$ 75,449
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
Fund Balances				
Restricted for:				
Enabling legislation	-	-	-	75,449
Tourism	312,813	-	-	-
Law enforcement	-	-	-	-
Committed for:				
Capital projects	-	-	-	-
Special revenues	-	74,899	16,877	-
Total Fund Balances	312,813	74,899	16,877	75,449
Total Liabilities and Fund Balances	\$ 312,813	\$ 74,899	\$ 16,877	\$ 75,449

Special Revenue Funds

Police Drug and Swat	ROW Maintenance	TDEM - COVID Fund	Special Revenues	Capital Projects	Total
\$ 79,484	\$ 114,215	\$ 57,248	\$ 13,582	\$ 128,122	\$ 834,695
-	-	-	-	-	37,994
<u>\$ 79,484</u>	<u>\$ 114,215</u>	<u>\$ 57,248</u>	<u>\$ 13,582</u>	<u>\$ 128,122</u>	<u>\$ 872,689</u>
\$ 37,425	\$ -	\$ -	\$ -	\$ -	\$ 37,425
<u>37,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,425</u>
-	-	-	-	-	75,449
-	-	-	-	-	312,813
42,059	-	-	-	-	42,059
-	-	-	-	128,122	128,122
-	114,215	57,248	13,582	-	276,821
<u>42,059</u>	<u>114,215</u>	<u>57,248</u>	<u>13,582</u>	<u>128,122</u>	<u>835,264</u>
<u>\$ 79,484</u>	<u>\$ 114,215</u>	<u>\$ 57,248</u>	<u>\$ 13,582</u>	<u>\$ 128,122</u>	<u>\$ 872,689</u>

City of Giddings, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

	Special Revenue Funds			
	Hotel Occupancy Tax	Cemetery Improvement	Library	Municipal Court
Revenues				
Franchise and local taxes	\$ 174,396	\$ -	\$ -	\$ -
Charges for services	-	-	12,775	-
Fines and forfeitures	-	-	-	7,862
Intergovernmental revenue	-	-	-	-
Investment income	3,409	1,168	263	1,138
Other revenue	-	-	595	-
Total Revenues	177,805	1,168	13,633	9,000
Expenditures				
General government	215,010	-	-	28,107
Public safety	-	-	-	-
Culture and recreation	-	-	17,742	-
Total Expenditures	215,010	-	17,742	28,107
Revenues Over (Under)				
Expenditures	(37,205)	1,168	(4,109)	(19,107)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources				
(Uses)	-	-	-	-
Net Change in Fund Balances	(37,205)	1,168	(4,109)	(19,107)
Beginning fund balances	350,018	73,731	20,986	94,556
Ending Fund Balances	\$ 312,813	\$ 74,899	\$ 16,877	\$ 75,449

Special Revenue Funds

Police Drug and Swat	ROW Maintenance	TDEM - COVID Fund	Special Revenues	Capital Projects	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174,396
-	-	-	-	-	12,775
19,479	-	-	-	-	27,341
-	-	57,145	-	-	57,145
111	1,780	103	144	1,446	9,562
-	-	-	6,292	-	6,887
<u>19,590</u>	<u>1,780</u>	<u>57,248</u>	<u>6,436</u>	<u>1,446</u>	<u>288,106</u>
-	-	-	-	-	243,117
39,426	-	-	-	-	39,426
-	-	-	-	-	17,742
<u>39,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,285</u>
<u>(19,836)</u>	<u>1,780</u>	<u>57,248</u>	<u>6,436</u>	<u>1,446</u>	<u>(12,179)</u>
-	-	-	-	95,000	95,000
-	-	-	-	(90,810)	(90,810)
-	-	-	-	4,190	4,190
<u>(19,836)</u>	<u>1,780</u>	<u>57,248</u>	<u>6,436</u>	<u>5,636</u>	<u>(7,989)</u>
61,895	112,435	-	7,146	122,486	843,253
<u>\$ 42,059</u>	<u>\$ 114,215</u>	<u>\$ 57,248</u>	<u>\$ 13,582</u>	<u>\$ 128,122</u>	<u>\$ 835,264</u>

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