



**FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2021**

**CITY OF TATUM, TEXAS  
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FOR THE YEAR ENDED JUNE 30, 2021**

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DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council  
City of Tatum, Texas

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

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

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, budgetary comparison information on page 21, and the Texas Municipal Retirement System schedules on pages 53 through 55 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2022, on our consideration of the City of Tatum, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tatum, Texas' internal control over financial reporting and compliance.



David K. Godwin, CPA, PLLC

Tyler, Texas

May 9, 2022

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# Management's Discussion and Analysis

# City of Tatum

CITY HALL

AC 903-947-2260

680 CRYSTAL FARMS ROAD

P.O. BOX 1105

TATUM, TEXAS 75691

## Management's Discussion and Analysis For Year Ended June 30, 2021 (Unaudited)

The Management Discussion and Analysis of the City of Tatum's (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2021. Please read in conjunction with the City's financial statements which follow this section.

### FINANCIAL HIGHLIGHTS

#### Mayor and Council

**Clay Lassen**  
Mayor

**Jack York**  
Alderman Place #1

**Jeff Keller**  
Alderman Place #2

**Tate R. Smith**  
Alderman Place #3

**Dana Buddecke**  
Mayor Pro-tem  
Alderman Place #4

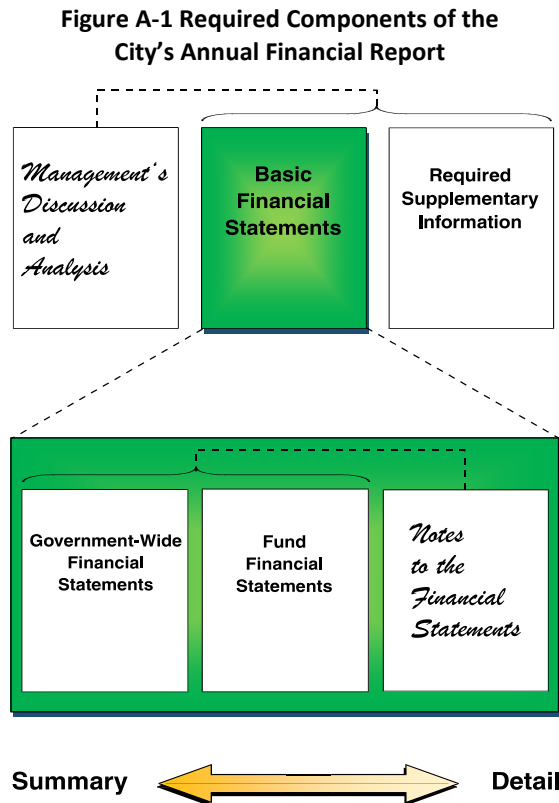
**Kim R. Smith**  
Alderman Place #5

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$3,728,345 (Net Position). Of this amount, \$1,642,502 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$134,029.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$924,715. Of this amount, \$864,708 is unassigned and available for use within the City's fund designation and fiscal policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$864,708, or 137% of the total general fund expenditures.
- The City's long-term debt decreased by \$4,415 due to pension liability decreases during 2021.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The City’s annual report consists of a series of financial statements, notes to those statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the City’s overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the City’s operations in more detail than the Government-Wide Statements.
  - The Governmental Funds Statements tell how general government services were financed in the short term as well as what remains for future spending.
  - Proprietary Fund Statements offer financial information about the internal service fund used to report activities that provide services to organizations within the City.



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

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

**FIGURE A-2  
MAJOR FEATURES OF THE CITY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

### Government-Wide Statements

The Government-Wide Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-Wide Statements report the City's net position and how it has changed. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's tax base.



The Government-Wide Financial Statements of the City include the governmental activities. The City's basic activities include general government, public safety, emergency services, highways and streets, public services, and culture and recreation. Fines, forfeitures and taxes finance most of these activities.

### **Fund Financial Statements**

The Fund Financial Statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices used by the City to track specific sources and uses of funding for specified activities.

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

The City has two types of funds:

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$3,728,345 as of June 30, 2021.

The largest portion of the City's net position, 54.34%, or \$2,025,836, reflects its investments in capital assets (e.g., land, building, equipment, vehicles, improvements and infrastructure), less any outstanding debt used in acquiring those assets. 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 capital assets themselves cannot be liquidated to repay these liabilities.

## CITY OF TATUM'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 991,170	\$ 820,452	\$ 766,001	\$ 727,759	\$ 1,757,171	\$ 1,548,211
Capital Assets	501,595	506,787	1,533,972	1,656,332	2,035,567	2,163,119
Total Assets	<u>1,492,765</u>	<u>1,327,239</u>	<u>2,299,973</u>	<u>2,384,091</u>	<u>3,792,738</u>	<u>3,711,330</u>
Total Deferred Outflows of Resources	15,603	(2,066)	5,599	(1,552)	21,202	(3,618)
Non-Current Liabilities	1,192	5,079	22,221	22,749	23,413	27,828
Other Liabilities	31,239	23,792	11,874	14,389	43,113	38,181
Total Liabilities	<u>32,431</u>	<u>28,871</u>	<u>34,095</u>	<u>37,138</u>	<u>66,526</u>	<u>66,009</u>
Total Deferred Inflows of Resources	14,035	34,218	5,034	13,169	19,069	47,387
Net Position:						
Invested in Capital Assets,						
Net of Related Debt	491,864	506,787	1,533,972	1,656,332	2,025,836	2,163,119
Restricted	60,007	54,726	-	-	60,007	54,726
Unrestricted	910,031	700,571	732,471	675,900	1,642,502	1,376,471
Total Net Position	<u>\$ 1,461,902</u>	<u>\$ 1,262,084</u>	<u>\$ 2,266,443</u>	<u>\$ 2,332,232</u>	<u>\$ 3,728,345</u>	<u>\$ 3,594,316</u>

A small portion of net position, \$60,007, is restricted for use by the municipal court. The remaining balance of unrestricted net position, \$1,642,502, may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2021, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its business-type activities. In the prior fiscal year, the City also reported positive balances in all three categories of net position.

Analysis of the City's Operations - Overall the City had an increase in net position of \$134,029.

**Governmental Activities:** Net position for the governmental activities increased by \$199,818. Net position invested in capital assets, net of related debt, decreased by \$14,923 due to depreciation expenses and debt payments exceeding capital asset additions. The remaining change in net position is due to higher-than-expected municipal court collections and grant receipts.

Total revenues for the governmental activities increased from the previous year by \$236,408, primarily due to higher sales tax receipts, municipal court collections and grant receipts during the year. General revenue increased \$129,985 during 2021, primarily due to similar activity.

**Business-type Activities:** Net position from business-type activities decreased by \$65,789. This decrease was primarily due to capital asset purchases along with typical depreciation and supporting costs associated with the water and sewer production and processing in 2021.

The following table provides a summary of the City's operations for the year ended June 30, 2021, with comparative totals for the year ended June 30, 2020.

**CITY OF TATUM’S CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Operating Revenues:						
Charges for Services	\$ 72,571	\$ 59,639	\$ 421,880	\$ 377,200	\$ 494,451	\$ 436,839
Other	93,731	240	-	-	93,731	240
General Revenues:						
Taxes	469,614	447,920	-	-	469,614	447,920
Fines & Forfeitures	131,063	55,229	-	-	131,063	55,229
Miscellaneous	34,830	2,373	402	7,500	35,232	9,873
Total Revenues	<u>801,809</u>	<u>565,401</u>	<u>422,282</u>	<u>384,700</u>	<u>1,224,091</u>	<u>950,101</u>
<b>Expenses:</b>						
General Government	605,995	536,638	-	-	605,995	536,638
Water and Sewer	-	-	492,797	471,815	492,797	471,815
Total Expenses	<u>605,995</u>	<u>536,638</u>	<u>492,797</u>	<u>471,815</u>	<u>1,098,792</u>	<u>1,008,453</u>
Increase (Decrease) in Total Revenues	<u>195,814</u>	<u>28,763</u>	<u>(70,515)</u>	<u>(87,115)</u>	<u>125,299</u>	<u>(58,352)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest Income	4,004	1,955	4,726	5,753	8,730	7,708
Interest Expense	-	-	-	-	-	-
Total Non-operating Revenue (Expense)	<u>4,004</u>	<u>1,955</u>	<u>4,726</u>	<u>5,753</u>	<u>8,730</u>	<u>7,708</u>
Change in Net Position	199,818	30,718	(65,789)	(81,362)	134,029	(50,644)
Net Position – Beginning	<u>1,262,084</u>	<u>1,231,366</u>	<u>2,332,232</u>	<u>2,413,594</u>	<u>3,594,316</u>	<u>3,644,960</u>
Net Position – Ending	<u>\$ 1,461,902</u>	<u>\$ 1,262,084</u>	<u>\$ 2,266,443</u>	<u>\$ 2,332,232</u>	<u>\$ 3,728,345</u>	<u>\$ 3,594,316</u>

**FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS**

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

At the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$924,715; of this total amount, \$864,708, constitutes a surplus in unassigned fund balance.

In the general fund, the City’s original budget planned for a decrease in the fund balance on a budget basis.

Actual revenues in all categories were higher than the final budgeted amounts by a total of \$236,889. Actual expenditures not including transfers were higher than final budgeted amounts by a total of \$22,686.

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

### CAPITAL ASSETS

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$2,035,567 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, equipment, improvements, vehicles, and infrastructure. The total decrease in capital assets for the current fiscal year was \$127,552, or 5.9%.

Major capital asset additions during fiscal year 2021 included \$19,313 for equipment utilized in operations of the City’s waterworks system. Additionally, the police department purchased a new vehicle in the amount of \$28,750.

### CAPITAL ASSETS AT YEAR-END AND ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 20,496	\$ 20,496	\$ 79,993	\$ 79,993	\$ 100,489	\$ 100,489
Construction in Progress	9,731	-	-	-	9,731	-
Buildings & Improvements	651,961	651,961	18,550	18,550	670,511	670,511
Equipment	343,725	343,725	541,275	521,962	885,000	865,687
Infrastructure	195,477	195,477	-	-	195,477	195,477
Park Improvements	12,723	12,723	-	-	12,723	12,723
Vehicles	172,849	144,099	92,497	92,497	265,346	236,596
Waterworks System	-	-	5,507,347	5,507,347	5,507,347	5,507,347
Accumulated Depreciation	(905,367)	(861,694)	(4,705,690)	(4,564,017)	(5,611,057)	(5,425,711)
<b>Total</b>	<b>\$ 501,595</b>	<b>\$ 506,787</b>	<b>\$ 1,533,972</b>	<b>\$ 1,656,332</b>	<b>\$ 2,035,567</b>	<b>\$ 2,163,119</b>

Additional information on the City’s capital assets can be found in Note 2 on pages 36 and 37 in the notes of this report.

## **DEBT ADMINISTRATION**

At the end of the current and prior fiscal years, the City had no bonded debt.

Additional information on the City's long term-debt can be found in Note 2 on page 38 in the notes of this report.

## **REQUEST FOR INFORMATION**

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 City of Tatum, Attn: City Secretary at 680 Crystal Farms Road, Tatum, Texas 75691, or call (903) 947-2260.

# Basic Financial Statements

# Government-Wide Financial Statements

**CITY OF TATUM, TEXAS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	TEDCO
<b>ASSETS</b>				
Cash and cash equivalents	\$ 893,943	\$ 729,396	\$ 1,623,339	\$ 344,143
Investments	-	-	-	105,934
Receivables (net of allowances):				
Sales taxes	41,256	-	41,256	16,502
Property taxes	44,947	-	44,947	-
Franchise taxes	7,456	-	7,456	-
Fines and forfeitures	3,568	-	3,568	-
Other	-	36,605	36,605	-
Capital assets:				
Land and other non-depreciated assets	30,227	79,993	110,220	170,996
Other capital assets - net of depreciation	471,368	1,453,979	1,925,347	20,049
Total assets	<u>1,492,765</u>	<u>2,299,973</u>	<u>3,792,738</u>	<u>657,624</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Contributions to pensions subsequent to the measurement date	11,573	4,153	15,726	-
Changes in actuarial assumptions and other inputs	4,030	1,446	5,476	-
Total deferred outflows of resources	<u>15,603</u>	<u>5,599</u>	<u>21,202</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	31,239	11,874	43,113	400
Long-term liabilities:				
Due within one year	-	-	-	-
Due in more than one year	1,192	22,221	23,413	-
Total liabilities	<u>32,431</u>	<u>34,095</u>	<u>66,526</u>	<u>400</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Differences between expected and actual economic experience on pensions	11,946	4,285	16,231	-
Differences between projected and actual investment earnings on pensions	2,089	749	2,838	-
Total deferred inflows of resources	<u>14,035</u>	<u>5,034</u>	<u>19,069</u>	<u>-</u>
<b>NET POSITION</b>				
Investment in capital assets, net of related debt	491,864	1,533,972	2,025,836	191,045
Restricted for municipal court	60,007	-	60,007	-
Restricted purpose of donor and trustee	-	-	-	400
Unrestricted	910,031	732,471	1,642,502	465,779
Total net position	<u>\$ 1,461,902</u>	<u>\$ 2,266,443</u>	<u>\$ 3,728,345</u>	<u>\$ 657,224</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF TATUM, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNIT
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	TEDCO
Primary government:							
Governmental activities:							
Administration	\$ 131,767	\$ 13,901	\$ 11,595	\$ (106,271)	\$ -	\$ (106,271)	
Police department	396,640	58,670	79,022	(258,948)	-	(258,948)	
Municipal court	43,295	131,063	3,114	90,882	-	90,882	
Emergency services	3,471	-	-	(3,471)	-	(3,471)	
Highways and streets	12,496	-	-	(12,496)	-	(12,496)	
Parks and recreation	18,326	-	-	(18,326)	-	(18,326)	
Total governmental activities	<u>605,995</u>	<u>203,634</u>	<u>93,731</u>	<u>(308,630)</u>	<u>-</u>	<u>(308,630)</u>	
Business-type activities:							
Waterworks	492,797	421,880	-	-	(70,917)	(70,917)	
Total business-type activities	<u>492,797</u>	<u>421,880</u>	<u>-</u>	<u>-</u>	<u>(70,917)</u>	<u>(70,917)</u>	
Total primary government	<u>\$ 1,098,792</u>	<u>\$ 625,514</u>	<u>\$ 93,731</u>	<u>(308,630)</u>	<u>(70,917)</u>	<u>(379,547)</u>	
Component unit:							
Tatum Economic Development Corporation	\$ 56,251	\$ 995	\$ -				\$ (55,256)
Total component unit	<u>\$ 56,251</u>	<u>\$ 995</u>	<u>\$ -</u>				<u>(55,256)</u>
General revenues:							
Sales taxes				230,983	-	230,983	92,393
Property taxes				189,231	-	189,231	-
Franchise taxes				49,400	-	49,400	-
Hotel taxes				-	-	-	18,236
Investment earnings				4,004	4,726	8,730	235
Miscellaneous local and intermediate revenue				34,830	402	35,232	239
Total general revenues and transfers				<u>508,448</u>	<u>5,128</u>	<u>513,576</u>	<u>111,103</u>
Change in net position				199,818	(65,789)	134,029	55,847
Net position - beginning				<u>1,262,084</u>	<u>2,332,232</u>	<u>3,594,316</u>	<u>601,377</u>
Net position - ending				<u>\$ 1,461,902</u>	<u>\$ 2,266,443</u>	<u>\$ 3,728,345</u>	<u>\$ 657,224</u>

The notes to the financial statements are an integral part of this statement.

# Fund Financial Statements

**CITY OF TATUM, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	<u>MAJOR FUND</u>	
	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>		
Cash	\$ 893,943	\$ 893,943
Receivables (net of allowances):		
Sales taxes	41,256	41,256
Property taxes	44,947	44,947
Franchise taxes	7,456	7,456
Fine and forfeitures	3,568	3,568
Prepaid items	<u>9,731</u>	<u>9,731</u>
 Total assets	 <u>\$ 1,000,901</u>	 <u>\$ 1,000,901</u>
 <b>LIABILITIES</b>		
Accounts payable	<u>\$ 31,239</u>	<u>\$ 31,239</u>
 Total liabilities	 <u>31,239</u>	 <u>31,239</u>
 <b>DEFERRED INFLOWS (OF RESOURCES)</b>		
Property taxes	<u>44,947</u>	<u>44,947</u>
 Total deferred inflows	 <u>44,947</u>	 <u>44,947</u>
 <b>FUND BALANCES</b>		
Restricted fund balance:		
Municipal court technology	21,790	21,790
Municipal court security	38,217	38,217
Unassigned fund balance	<u>864,708</u>	<u>864,708</u>
 Total fund balances	 <u>924,715</u>	 <u>924,715</u>
 Total liabilities, deferred inflows and fund balances	 <u>\$ 1,000,901</u>	 <u>\$ 1,000,901</u>

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The notes to the financial statements are an integral part of this statement.

**CITY OF TATUM, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances - governmental funds	\$	924,715
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.		501,595
Long-term pension liability, which is based on GASB 68 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:		
Net pension liability		(2,200)
Deferred outflows, related to pension		10,993
Deferred inflows, related to pension		(6,970)
Long-term OPEB liability, which is based on GASB 75 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:		
Net OPEB asset		1,008
Deferred outflows, related to OPEB		4,610
Deferred inflows, related to OPEB		(7,065)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		(9,731)
Delinquent property taxes receivable is a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.		44,947
Net position of governmental activities	\$	<u>1,461,902</u>

**CITY OF TATUM, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>MAJOR FUND</u>	
	<u>GENERAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>		
Taxes:		
Sales	\$ 230,983	\$ 230,983
Property	187,307	187,307
Franchise	49,400	49,400
Fines and forfeitures	131,063	131,063
Licenses and permits	13,901	13,901
Grants and contributions	93,731	93,731
Charges for services	58,670	58,670
Interest income	4,004	4,004
Miscellaneous	34,830	34,830
	<u>803,889</u>	<u>803,889</u>
Total revenues		
<b>EXPENDITURES</b>		
Administration	132,452	132,452
Police department	445,414	445,414
Municipal court	43,295	43,295
Emergency services	310	310
Highways and streets	7,373	7,373
Parks and recreation	3,967	3,967
	<u>632,811</u>	<u>632,811</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	<u>171,078</u>	<u>171,078</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers from other funds	-	-
Operating transfers to other funds	-	-
	<u>-</u>	<u>-</u>
Total other financing sources (uses)		
Net change in fund balances	171,078	171,078
Fund balances - beginning of year	<u>753,637</u>	<u>753,637</u>
Fund balances - end of year	<u>\$ 924,715</u>	<u>\$ 924,715</u>

The notes to the financial statements are an integral part of this statement.

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

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$ 171,078
The depreciation of capital assets used in governmental activities is not reported in the funds.	(43,673)
Net delinquent property tax collections provide current financial resources to the funds (but has no effect on net assets).	1,924
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide statement of activities.	28,750
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:	
GASB 68 Pension adjustments	43,186
GASB 75 Other post employment benefit adjustments	<u>(1,447)</u>
Change in net position of governmental activities	<u><u>\$ 199,818</u></u>

**CITY OF TATUM, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		(UNFAVORABLE)
<b>REVENUES</b>				
Taxes:				
Sales	\$ 215,000	\$ 215,000	\$ 230,983	\$ 15,983
Property	175,000	175,000	187,307	12,307
Franchise	38,500	38,500	49,400	10,900
Fines and forfeitures	70,500	70,500	131,063	60,563
Licenses and permits	1,000	1,000	13,901	12,901
Grants and contributions	-	-	93,731	93,731
Charges for services	57,000	57,000	58,670	1,670
Interest income	-	-	4,004	4,004
Miscellaneous	10,000	10,000	34,830	24,830
Total revenues	<u>567,000</u>	<u>567,000</u>	<u>803,889</u>	<u>236,889</u>
<b>EXPENDITURES</b>				
Administration	136,973	136,973	132,452	4,521
Police department	413,704	413,704	445,414	(31,710)
Municipal court	48,023	48,023	43,295	4,728
Emergency services	825	825	310	515
Highways and streets	5,000	5,000	7,373	(2,373)
Parks and recreation	5,600	5,600	3,967	1,633
Total expenditures	<u>610,125</u>	<u>610,125</u>	<u>632,811</u>	<u>(22,686)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(43,125)</u>	<u>(43,125)</u>	<u>171,078</u>	<u>214,203</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers from other funds	-	-	-	-
Operating transfers to other funds	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues & other sources over expenditures & other (uses)	<u>\$ (43,125)</u>	<u>\$ (43,125)</u>	<u>171,078</u>	<u>\$ 214,203</u>
Fund balance - beginning of year			<u>753,637</u>	
Fund balance - end of year			<u>\$ 924,715</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF TATUM, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
<b>ASSETS</b>	<b>WATERWORKS</b>
Current assets:	
Cash	\$ 729,396
Accounts receivable (net)	36,605
Total current assets	766,001
Noncurrent assets:	
Capital assets:	
Waterworks system	5,507,347
Equipment	541,275
Buildings	18,550
Vehicles	92,497
Land	79,993
Less: accumulated depreciation	(4,705,690)
Total noncurrent assets	1,533,972
Total assets	2,299,973
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Contributions to pensions subsequent to the measurement date	4,153
Changes in actuarial assumptions and other inputs	1,446
Total deferred outflows of resources	5,599
<b>LIABILITIES</b>	
Current liabilities:	
Accrued liabilities	11,874
Total current liabilities	11,874
Non-current liabilities:	
Customer meter deposits	21,791
Net pension liability	430
Total non-current liabilities	22,221
Total liabilities	34,095
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Differences between expected and actual economic experience on pensions	4,285
Differences between projected and actual investment earnings on pensions	749
Total deferred inflows of resources	5,034
<b>NET POSITION</b>	
Investment in capital assets, net of related debt	1,533,972
Unrestricted	732,471
Total net position	\$ 2,266,443

The notes to the financial statements are an integral part of this statement.



**CITY OF TATUM, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	WATERWORKS
<b>OPERATING REVENUES</b>	
Service charges	\$ 402,717
Tapping fees	19,163
Contributions and other	402
Total operating revenues	422,282
<b>OPERATING EXPENSES</b>	
Payroll costs	137,262
Chemicals and supplies	84,598
Contract labor	18,684
Depreciation	141,673
Maintenance and repairs	18,318
Professional fees and services	29,573
Travel and training	163
Utilities	61,363
Other	1,163
Total operating expenses	492,797
Operating loss	(70,515)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	4,726
Total nonoperating expenses	4,726
Loss before operating transfers	(65,789)
<b>TRANSFERS</b>	
Transfers in	-
Transfers out	-
Total transfers	-
Change in net position	(65,789)
Net position - beginning	2,332,232
Net position - end of year	\$ 2,266,443

The notes to the financial statements are an integral part of this statement.

**CITY OF TATUM, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND  <u>WATERWORKS</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 390,641
Other cash receipts	402
Payments to suppliers	(198,523)
Payments to employees and contractors for service	<u>(155,644)</u>
Net cash provided by operating activities	<u>36,876</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	<u>(19,313)</u>
Net cash used in capital and related financing activities	<u>(19,313)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>4,726</u>
Net cash provided by investing activities	<u>4,726</u>
Net increase in cash and cash equivalents	22,289
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>707,107</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 729,396</u></u>
<b>Reconciliation of Operating Loss to Net Cash provided by Operating Activities</b>	
Operating loss	\$ (70,515)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	141,673
Changes in assets and liabilities:	
Decrease in accounts payable	(3,508)
Increase in accrued liabilities	993
Decrease in customer meter deposits	-
Decrease in pension liability	(528)
Decrease in deferred inflows	(8,135)
Increase in accounts receivable	(15,953)
Increase in deferred outflows	<u>(7,151)</u>
Total adjustments	<u>107,391</u>
Net cash provided by operating activities	<u><u>\$ 36,876</u></u>

The notes to the financial statements are an integral part of this statement.

# Notes to the Financial Statements

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

The City of Tatum (City) operates as a general law city pursuant to the laws of the State of Texas under a Mayor-Alderman form of government. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2021.

**Discretely Presented Component Unit**

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City.

The financial statements of a city normally include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. Based on these criteria, the financial activities of the Tatum Economic Development Corporation (TEDCO) is included in the financial statements as a discretely presented component unit of the City.

TEDCO was established to collect sales tax pursuant to the Development Corporation Act of 1979 with the purpose to promote, assist, and enhance economic development within the City so as to provide needed services and facilities to the residents of the City. The governing body of TEDCO is selected and approved by the City Council.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. Governmental activities include programs supported primarily by taxes and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Government-Wide and Fund Financial Statements - continued**

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Interfund activities between governmental funds appear as due to/due froms on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance. All interfund transactions between governmental funds are eliminated on the government-wide statements.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. All other expenses are non-operating.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of taxes. Tax revenue and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

The City reports the following major governmental funds:

**General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

The City reports the following major proprietary fund:

**Waterworks Fund** – This fund is utilized for the operations of the water distribution system and the wastewater system provided by the City for the community.

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

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

Cash and Cash Equivalents

The City’s cash and cash equivalents includes amounts on hand and in demand deposits.

Investments

State statutes and the City’s investment policy authorize the City to invest in obligations of the U.S. Treasury, State of Texas obligations, certificates of deposit, commercial paper, corporate bonds, repurchase agreements, and mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either “Due to/from Other Funds” (i.e. the current portion of the interfund loan) or “Advances to/from Other Funds” (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “Due to/from Other Funds.”

Property Taxes Receivable are shown net of an allowance for uncollectibles. The allowance is equal to zero (0) percent of delinquent property taxes receivable at June 30, 2021. The City’s ad valorem taxes are levied on October 1 but do not become due until January 1 of the following year. Taxes become past due February 1 and become delinquent June 30. The City’s taxes become a lien on real property on the due date of January 1. This lien is effective until the taxes are paid.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types report the face amount of the debt issued as Other Financing Sources and debt payments as Expenditures.

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued**

Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure (roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of three (3) years. Such assets are recorded at historical cost where records are available or at an estimated fair market value at the date of acquisition where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide statements regardless of their amount.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, equipment and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Waterworks system	30
Infrastructure	20
Equipment	10
Building and improvements	10-45
Vehicles	5

In the case of initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities), public domain property including roads, bridges, curbs and gutters, streets and sidewalks and similar assets prior to June 30, 2003 have not been capitalized by the City. Additional capital assets, constructed or acquired each period subsequent to June 30, 2003, are capitalized and reported at historical cost.



**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Assets, Liabilities, and Net Position or Equity - continued**

Fund Balance Classification

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

*Nonspendable fund balance* – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

*Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Committed fund balance* – amounts constrained to specific purposes by the City Council, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest level action to remove or change the constraint.

*Assigned fund balance* – amounts the City Council intends to use for a specific purpose. Intent can be expressed by the Mayor or the City Secretary, through which the City Council has delegated the authority.

*Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned, the City Council designated the authority to the Mayor and the City Secretary (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Assets, Liabilities, and Net Position or Equity - continued**

Compensated Absences

Compensated vacations are granted to all full-time regular employees of the City. After the completion of a probationary three (3) months of employment, vacation is granted for employees. Regular employees earn five (5) days of vacation their first and second year, ten (10) days during their third and fourth year, and after five (5) years of employment, the employee will receive three (3) weeks of vacation. Management positions are provided with three (3) weeks of vacation from the date of hire. Vacation leave may not be carried from one calendar year to the next and upon termination of employment, any earned and unused vacation is forfeited and not paid.

Sick leave is accrued at the rate of seven (6) days per year. Sick leave accrues from year to year up to a maximum of thirty (30) days. Upon termination of employment, any earned and unused sick leave is not paid.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two (2) items which arises only under a modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the items are unavailable revenue, and are reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund considers all cash on hand and demand deposits to be cash equivalents.

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Stewardship, Compliance, and Accountability**

Budgetary Data

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. The City holds a public hearing on the proposed budget prior to its adoption. All appropriations lapse at fiscal year-end.

The budget is legally enacted and once approved, can only be amended by approval of a majority of the Council members. Amendments are presented to the Council at its regular meetings.

Expenditures in Excess of Budgeted Amounts

The following is a summary of expenditures in excess of appropriations for the General Fund:

<u>Department</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance</u>
Police department	\$ 445,414	\$ 413,704	\$ (31,710)
Highways and streets	\$ 7,373	\$ 5,000	\$ (2,373)

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS**

**Deposits**

The City's balances were completely covered by federal deposit insurance or collateralized at June 30, 2021. The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

**Category 1** - Insured or collateralized with securities held by the City or by its agent in the City's name.

**Category 2** - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

**Category 3** - Uncollateralized.

Deposits categorized by level of risk for cash and cash equivalents are as follows:

<u>Primary Government</u>	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
<i>Governmental activities:</i>					
General fund	\$ 893,943	\$ 250,000	\$ 643,943	\$ -	\$ 893,943
<i>Business-type activities:</i>					
Waterworks fund	729,396	-	729,396	-	729,396
Total	1,623,339	250,000	1,373,339	-	1,623,339
<b>Component Unit</b>					
TEDCO	344,143	250,000	94,143	-	344,143
Total	<u>\$ 1,967,482</u>	<u>\$ 500,000</u>	<u>\$ 1,467,482</u>	<u>\$ -</u>	<u>\$ 1,967,482</u>

**Investments**

TEDCO's certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC currently insures the first \$250,000 of the City's deposits at each financial institution. Deposit balances over \$250,000 are insured by the collateral pool. As of June 30, 2021, the carrying amount of TEDCO's certificates of deposit was \$105,934.

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Property Tax**

The assessed valuation (net of exemptions) was \$50,561,021 for 2021 (with taxes due January 1, 2021) levied at a rate of \$0.299781 per hundred-dollar valuation.

**Receivables**

Receivables as of year-end for the City's major government funds and business-type funds, including applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	<u>Governmental</u>	<u>Business-Type</u>	Total	<u>Component</u>
	General Fund	Waterworks Fund		Unit TEDCO
Accounts	\$ -	\$ 36,605	\$ 36,605	\$ -
Fines	209,403	-	209,403	-
Taxes	<u>93,659</u>	<u>-</u>	<u>93,659</u>	<u>16,502</u>
Gross receivables	303,062	36,605	339,667	16,502
Less: Allowance for uncollectables	<u>(205,835)</u>	<u>-</u>	<u>(205,835)</u>	<u>-</u>
Total	<u>\$ 97,227</u>	<u>\$ 36,605</u>	<u>\$ 133,832</u>	<u>\$ 16,502</u>

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Capital Assets**

The following is a summary of the changes in the capital assets during the fiscal year:

<u>Primary Government</u>	<u>Balance 6/30/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2021</u>
<i>Governmental activities</i>				
<u>Non-depreciable assets:</u>				
Land	\$ 20,496	\$ -	\$ -	\$ 20,496
Construction in progress	-	9,731	-	9,731
<u>Depreciable assets:</u>				
Buildings and improvements	651,961	-	-	651,961
Equipment	343,725	-	-	343,725
Infrastructure	195,477	-	-	195,477
Park improvements	12,723	-	-	12,723
Vehicles	144,099	28,750	-	172,849
Accumulated depreciation	(861,694)	(43,673)	-	(905,367)
Governmental activities, net	<u>506,787</u>	<u>(5,192)</u>	<u>-</u>	<u>501,595</u>
<i>Business-type activities</i>				
<u>Non-depreciable assets:</u>				
Land	79,993	-	-	79,993
Construction in progress	-	-	-	-
<u>Depreciable assets:</u>				
Waterworks system	5,507,347	-	-	5,507,347
Equipment	521,962	19,313	-	541,275
Buildings	18,550	-	-	18,550
Vehicles	92,497	-	-	92,497
Accumulated depreciation	(4,564,017)	(141,673)	-	(4,705,690)
Business-type activities, net	<u>1,656,332</u>	<u>(122,360)</u>	<u>-</u>	<u>1,533,972</u>
Capital assets, net	<u>\$ 2,163,119</u>	<u>\$ (127,552)</u>	<u>\$ -</u>	<u>\$ 2,035,567</u>

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Capital Assets – continued**

Depreciation expense for governmental activities was charged to Functions/Programs as follows:

Administration	\$	5,173
Police department		15,857
Emergency services		3,161
Highways and streets		5,123
Parks and recreation		<u>14,359</u>
Total depreciation expense	\$	<u>43,673</u>

<b>Component Unit</b>	<b>Balance 6/30/2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2021</b>
<b>Non-depreciable assets:</b>				
Land	\$ 170,996	\$ -	\$ -	\$ 170,996
<b>Depreciable assets:</b>				
Buildings	26,009	-	-	26,009
Accumulated depreciation	<u>(4,660)</u>	<u>(1,300)</u>	<u>-</u>	<u>(5,960)</u>
Component unit, net	<u>\$ 192,345</u>	<u>\$ (1,300)</u>	<u>\$ -</u>	<u>\$ 191,045</u>

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage during the year ending June 30, 2021.

The City is a member of the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool, participating in workers' compensation, general liability, law enforcement liability, errors and omissions liability, automobile liability, automobile physical damage, real and personal property coverage, and employee health insurance.

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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. No reportable litigation was pending against the City as of June 30, 2021.

**Long-Term Debt**

The changes in the City's long-term debt as of June 30, 2021 are as follows:

<u>Primary Government</u>	<u>Original Balance</u>	<u>Balance 6/30/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2021</u>
<i>Governmental activities:</i>					
Net pension liability	\$ -	\$ 5,079	\$ -	\$ (3,887)	\$ 1,192
<i>Business-type activities:</i>					
Customer meter deposits	-	21,791	-	-	21,791
Net pension liability	-	958	-	(528)	430
Total	<u>\$ -</u>	<u>\$ 27,828</u>	<u>\$ -</u>	<u>\$ (4,415)</u>	<u>\$ 23,413</u>

**Related Parties**

In the ordinary course of business, the City has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectibility or present any other unfavorable features to the City.



**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Texas Municipal Retirement System Plan**

Plan Description – The City participates as one of 895 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [TMRS.com](http://TMRS.com).

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

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

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

Plan Year	2019	2020
Employee deposit rate	5%	5%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25

**CITY OF TATUM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Texas Municipal Retirement System Plan – continued**

***Employees covered by benefit terms:***

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>10</u>
Total	<u><u>32</u></u>

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 1.81% and 1.81% in calendar years 2020 and 2021, respectively. The City’s contributions to TMRS for the year ended June 30, 2021 were \$7,546, and were equal to the required contributions.

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

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Texas Municipal Retirement System Plan – continued**

***Actuarial assumptions:***

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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

**CITY OF TATUM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Texas Municipal Retirement System Plan – continued**

***Actuarial assumptions – continued:***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

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

***Discount rate:***

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in 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 TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Texas Municipal Retirement System Plan – continued**

***Changes in the net pension liability:***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	\$ 426,810	\$ 420,773	\$ 6,037
Changes for the year:			
Service cost	\$ 25,978	\$ -	\$ 25,978
Interest	28,295	-	28,295
Change of benefit terms	-	-	-
Difference between expected and actual experience	2,029	-	2,029
Changes of assumptions	-	-	-
Contributions - employer	-	7,324	(7,324)
Contributions - employee	-	20,232	(20,232)
Net investment income	-	31,949	(31,949)
Benefit payments, including refunds of employee contributions	(41,213)	(41,213)	-
Administrative expense	-	(207)	207
Other changes	-	(6)	6
Net changes	15,089	18,079	(2,990)
Balance at 12/31/2020	\$ 441,899	\$ 438,852	\$ 3,047

***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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Current Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability (asset)	\$ 61,856	\$ 3,047	\$ (45,614)

***Pension plan fiduciary net position:***

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [TMRS.com](http://TMRS.com).

**CITY OF TATUM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Texas Municipal Retirement System Plan – continued**

***Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:***

For the year ended June 30, 2021, the City recognized pension expense of \$43,186.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 6,631
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	2,838
Contributions subsequent to the measurement date	14,936	-
Total	\$ 14,936	\$ 9,469

The amount of \$14,936 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2021. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2021	\$ (3,876)
2022	721
2023	(6,758)
2024	(711)
2025	-
Thereafter	-
Total	\$ (10,624)

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Postemployment Benefits Other Than Pensions (OPEB): Supplemental Death Benefits Fund**

Plan Description – The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by 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.

Benefits Provided – The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

***Employees covered by benefit terms:***

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	0
Active employees	10
Total	13

Contributions – The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The SDBF contribution rates for the City were 0.17% and 0.21% in calendar years 2020 and 2021, respectively. The City's contributions to the SDBF for the year ended June 30, 2021 was \$790, and was equal to the required contributions.

***Schedule of contributions:***

Plan Year	2019	2020
Total SDB Contribution (Rate)	0.17%	0.21%
Retiree Portion of SDB Contribution (Rate)	0.00%	0.00%

**CITY OF TATUM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**(OPEB): Supplemental Death Benefits Fund - continued**

***Actuarial assumptions:***

<b>Summary of actuarial assumptions:</b>	
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.00%
Retirees' share of benefit-related costs	\$0.00
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

***Changes in the OPEB liability:***

	<u>Total OPEB Liability</u>
Balance at 12/31/2019	\$ 24,273
Changes for the year:	
Service cost	\$ 1,214
Interest	682
Change of benefit terms	-
Difference between expected and actual experience	(5,894)
Changes of assumptions	2,792
Benefit payments	<u>(162)</u>
Net changes	<u>(1,368)</u>
Balance at 12/31/2020	<u>\$ 22,905</u>



**CITY OF TATUM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**(OPEB): Supplemental Death Benefits Fund - continued**

***Sensitivity of the OPEB liability to changes in the discount rate:***

	1% Decrease in Discount Rate 1.00%	Current Rate Assumption 2.00%	1% Increase in Discount Rate 3.00%
City's net pension liability (asset)	\$ 27,615	\$ 22,905	\$ 19,311

***OPEB expense:***

	OPEB Expense
Service cost	\$ 1,214
Interest	682
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(875)
Changes of assumptions	945
Balance at 12/31/2020	\$ 1,966

***Deferred outflows of resources and deferred inflows of resources related to OPEB:***

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 9,600
Changes in assumptions and other inputs	5,476	-
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	790	-
Total	\$ 6,266	\$ 9,600

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**(OPEB): Supplemental Death Benefits Fund - continued**

***Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):***

<u>Year ended December 31:</u>	
2021	\$ 70
2022	70
2023	70
2024	70
2025	(132)
Thereafter	<u>(356)</u>
Total	<u>\$ (208)</u>

**Accounting Standards**

The GASB has issued the following Statement(s) which were implemented during the current fiscal year as shown below:

GASB Statement No. 84, *“Fiduciary Activities.”* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. All applicable provisions have been included in the City’s financial statements as of September 30, 2021.

GASB Statement No. 90, *“Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.”* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. All applicable provisions have been included in the City’s financial statements as of September 30, 2021.

GASB Statement No. 93 – *“Replacement of Interbank Offered Rates.”* The primary objectives of this Statement are to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”). The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. All applicable provisions have been included in the City’s financial statements as of September 30, 2021.

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Accounting Standards – continued**

The GASB has issued the following Statements which will become effective in future years as shown below based on the guidance of GASB Statement No. 95, [*Postponement of the Effective Dates of Certain Authoritative Guidance*]:

GASB Statement No. 87, "*Leases.*" The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period.*" The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 91, "*Conduit Debt Obligations.*" The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 92 – "*Omnibus 2020.*" The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The Statement will become effective for fiscal years beginning after June 15, 2021. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 94 – "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements.*" The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements ("PPPs"). The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.

**CITY OF TATUM, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Accounting Standards – continued**

GASB Statement No. 96 – *“Subscription-Based Information Technology Arrangements.”* The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users. The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 97 – *“Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.”* The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement has various effective dates and will become fully effective for reporting periods beginning after June 15, 2021. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 98 – *“The Annual Comprehensive Financial Report.”* This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Management has not yet determined the impact of this Statement on its financial statements.

**CITY OF TATUM, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**OMB Circular A-133 – State of Texas Single Audit Circular**

The City did not expend \$750,000 or more in federal or state awards during 2020. As a result, a Single Audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular was not required for the year ended June 30, 2021.

**Subsequent Events**

During September 2021, TEDCO purchased 16.95 acres of land in the amount of \$242,000 and sold a separate plot of 4.39 acres in the amount of \$200,000.

In March 2022, the City Council accepted the resignation of the City's Chief of Police.

In April 2022, the City Council terminated the City Secretary.

Management has evaluated subsequent events through May 9, 2022, which is the date the financial statements were made available to management.

# Required Supplementary Information

**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)**  
**(UNAUDITED)**

	2014	2015	2016	2017	2018	2019	2020
<b>Total pension liability</b>							
Service cost	\$ 17,689	\$ 24,668	\$ 23,603	\$ 21,571	\$ 25,832	\$ 24,322	\$ 25,978
Interest (on the total pension liability)	21,235	22,662	22,698	24,252	24,640	26,652	28,295
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	7,897	(12,949)	(1,253)	(18,570)	(462)	75	2,029
Change of assumptions	-	9,265	-	-	-	(471)	-
Benefit payments, including refunds of employee contributions	(19,428)	(40,411)	(20,787)	(21,224)	(26,031)	(12,889)	(41,213)
Net change in total pension liability	27,393	3,235	24,261	6,029	23,979	37,689	15,089
Total pension liability - beginning	304,224	331,617	334,852	359,113	365,142	389,121	426,810
<b>Total pension liability - ending (a)</b>	<b>\$ 331,617</b>	<b>\$ 334,852</b>	<b>\$ 359,113</b>	<b>\$ 365,142</b>	<b>\$ 389,121</b>	<b>\$ 426,810</b>	<b>\$ 441,899</b>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 7,616	\$ 7,605	\$ 7,578	\$ 7,127	\$ 8,543	\$ 6,781	\$ 7,324
Contributions - employee	17,579	19,302	18,129	16,826	20,245	18,942	20,232
Net investment income	16,180	450	19,676	43,734	(10,838)	54,662	31,949
Benefit payments, including refunds of employee contributions	(19,428)	(40,411)	(20,787)	(21,224)	(26,031)	(12,889)	(41,213)
Administrative expense	(169)	(274)	(222)	(227)	(210)	(309)	(207)
Other	(14)	(14)	(12)	(11)	(11)	(9)	(6)
Net change in plan fiduciary net position	21,764	(13,342)	24,362	46,225	(8,302)	67,178	18,079
Plan fiduciary net position - beginning	282,888	304,652	291,310	315,672	361,897	353,595	420,773
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 304,652</b>	<b>\$ 291,310</b>	<b>\$ 315,672</b>	<b>\$ 361,897</b>	<b>\$ 353,595</b>	<b>\$ 420,773</b>	<b>\$ 438,852</b>
<b>Net pension liability - ending [(a) - (b)]</b>	<b>\$ 26,965</b>	<b>\$ 43,542</b>	<b>\$ 43,441</b>	<b>\$ 3,245</b>	<b>\$ 35,526</b>	<b>\$ 6,037</b>	<b>\$ 3,047</b>
Plan fiduciary net position as a percentage of total pension liability	91.87%	87.00%	87.90%	99.11%	90.87%	98.59%	99.31%
Covered employee payroll	\$ 343,098	\$ 386,038	\$ 362,572	\$ 336,520	\$ 404,896	\$ 378,846	\$ 404,648
Net pension liability as a percentage of covered employee payroll	7.86%	11.28%	11.98%	0.96%	8.77%	1.59%	0.75%

**TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)  
(UNAUDITED)**

	2014	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 26,965	\$ 43,542	\$ 43,441	\$ 3,245	\$ 35,526	\$ 6,037	\$ 3,047
Contributions in relation to the actuarially determined contribution	25,195	26,907	25,707	23,953	28,788	25,723	27,556
Contribution deficiency (excess)	1,770	16,635	17,734	(20,708)	6,738	(19,686)	(24,509)
<b>Covered employee payroll</b>	<b>343,098</b>	<b>386,038</b>	<b>362,572</b>	<b>336,520</b>	<b>404,896</b>	<b>378,846</b>	<b>404,648</b>
Contributions as a percentage of covered employee payroll	7.34%	6.97%	7.09%	7.12%	7.11%	6.79%	6.81%

**NOTES TO THE SCHEDULE OF CONTRIBUTIONS**

<b>Valuation Date:</b>	
Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.
<b>Methods and assumptions used to determine contribution rates:</b>	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18 years
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.5%
Salary increases	3.50% to 11.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
<b>Other information:</b>	
Notes	There were no benefit changes during the year.



**TEXAS MUNICIPAL RETIREMENT SYSTEM  
SUPPLEMENTAL DEATH BENEFITS FUND  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)  
(UNAUDITED)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total OPEB liability</b>			
Service cost	\$ 972	\$ 720	\$ 1,214
Interest (on the total OPEB liability)	661	743	682
Changes of benefit terms	-	-	-
Difference between expected and actual experience	362	(1,077)	(5,894)
Change of assumptions	(1,587)	4,292	2,792
Benefit payments	<u>(283)</u>	<u>(152)</u>	<u>(162)</u>
Net change in total OPEB liability	125	4,526	(1,368)
<b>Total OPEB liability - beginning</b>	<u>19,622</u>	<u>19,747</u>	<u>24,273</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 19,747</u></u>	<u><u>\$ 24,273</u></u>	<u><u>\$ 22,905</u></u>
Covered employee payroll	\$ 404,896	\$ 378,846	\$ 404,648
Total OPEB liability as a percentage of covered employee payroll	4.88%	6.41%	5.66%

# Compliance and Internal Control



DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

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

To the Honorable Mayor and Members of City Council  
City of Tatum, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tatum, Texas (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 9, 2022.

**Internal Control Over Financial Reporting**

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

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

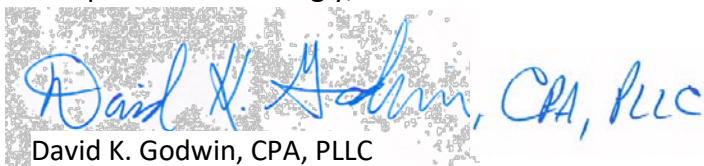
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### Compliance and Other Matters

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

### Purpose of this Report

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



David K. Godwin, CPA, PLLC

Tyler, Texas  
May 9, 2022

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