

# **CITY OF MILES, TEXAS**

## **Annual Financial Report**

**For the Year Ended September 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
of the City of Miles, Texas:

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' 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 City'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 City'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 opinion.

### Opinion

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, each major fund and the aggregate remaining fund information of the City of Miles, Texas as of September 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, and the respective budgetary comparison for the general and utility funds 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

*Fullerton & Associates, PLLC*

Fullerton & Associates, PLLC  
August 15, 2022

**CITY OF MILES, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

As management of the City of Miles, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021.

**FINANCIAL HIGHLIGHTS**

Government-Wide Financial Statements

- The assets of the City of Miles exceeded its liabilities at the close of the 2021 fiscal year by \$2,255,050 (net position), which is an increase of \$118,624 over the 2020 fiscal year's ending net position of \$2,136,426.
- As of September 30, 2021, \$899,348 (unrestricted) may be used to meet the government's ongoing obligations to citizens. \$1,305,811 of the City's equity is invested in capital assets (net of related debt), and \$49,891 of the City's equity is restricted for the use of the Economic Development Corporation.
- The City's total assets increased by \$189,491 during the 2021 fiscal year, and total liabilities increased by \$91,334.

Fund Financial Statements

- As of the close of the fiscal year, the City's General Fund reported an ending unassigned fund balance of \$562,603 which reflects an increase of \$110,054 for the year ended September 30, 2021, over the 2020 fiscal year's closing unassigned fund balance of \$452,549.
- The City's Utility Fund had an decrease of \$24,453 in net position during the 2021 fiscal year, resulting in ending fund balances of \$1,340,425. Of the Utility Fund's net position, \$1,022,239 (76%) was invested in capital assets (net of related debt) as of September 30, 2021.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Miles' basic financial statements. The City's basic financial statements comprise three components:

- 1) government- wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The statement of net position presents information on all the City of Miles' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Miles is improving or deteriorating.

The statement of changes in net position presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

**CITY OF MILES, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

The government-wide financial statements reflect functions of the City of Miles that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City of Miles include general government, public safety, public works, and judicial. The government-wide financial statements can be found on pages 9 through 10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Miles, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Miles can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The City had no fiduciary funds as of or for the year ended September 30, 2021.

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

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

The City of Miles maintains two governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenses, and changes in fund balances for the General Fund, which is considered a major fund, and the Miles Economic Development Corporation (MEDC), categorized as a non-major special revenue fund. The governmental fund financial statements can be found on pages 11 through 14 of this report.

*Proprietary funds.* When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Changes in Net Position. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide financial statements, but the proprietary fund statements provide more detail and additional information, such as cash flows, for the proprietary fund. The City utilizes one major proprietary fund, the Utility fund, and one non major proprietary fund, the Weatherby Hall Community Center Fund. The proprietary fund statements can be found on pages 15 through 17 of this report.

*Notes to the financial statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 35 of this report.

**CITY OF MILES, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Miles, assets exceeded liabilities by \$2,255,050 at the end of 2021.

As of September 30, 2021, \$1,305,811, of the City of Miles' net position (58%) reflects its investment in capital assets (e.g., buildings, equipment, infrastructure), net of the debt balances used to obtain such assets. The City of Miles uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**City of Miles' Net Position—Comparative Schedules**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 649,288	\$ 491,962	\$ 458,304	\$ 356,359	\$ 1,107,592	\$ 848,321
Capital assets (net of depreciation)	290,380	280,842	1,271,996	1,351,314	1,562,376	1,632,156
Total assets	<u>939,668</u>	<u>772,804</u>	<u>1,730,300</u>	<u>1,707,673</u>	<u>2,669,968</u>	<u>2,480,477</u>
Deferred outflows	1,459	1,397	2,228	1,722	3,687	3,119
Current and other liabilities	36,794	8,499	160,356	80,448	197,150	88,947
Long-term liabilities	14,270	10,318	200,005	220,826	214,275	231,144
Total liabilities	<u>51,064</u>	<u>18,817</u>	<u>360,361</u>	<u>301,274</u>	<u>411,425</u>	<u>320,091</u>
Deferred inflows	2,974	11,769	4,206	15,310	7,180	27,079
Net position:						
Net investment in capital assets	245,942	240,093	1,059,869	1,117,354	1,305,811	1,357,447
Restricted for general fund savings	49,891	30,914	-	-	49,891	30,914
Unrestricted	591,256	472,608	308,092	275,457	899,348	748,065
	<u>\$ 887,089</u>	<u>\$ 743,615</u>	<u>\$ 1,367,961</u>	<u>\$ 1,392,811</u>	<u>\$ 2,255,050</u>	<u>\$ 2,136,426</u>

**CITY OF MILES, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**City of Miles' Changes in Net Position—Comparative Schedules**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Program Revenues						
Fees, fines, and charges	\$ -	\$ -	\$ 375,897	\$ 386,613	\$ 375,897	\$ 386,613
Operating grants and contributions	73,437	4,285	108,035	-	181,472	4,285
General Revenues						
Property taxes	114,624	116,855	-	-	114,624	116,855
Sales and use taxes	134,185	105,732	-	-	134,185	105,732
Franchise taxes	28,774	32,131	-	-	28,774	32,131
Licenses, permits, and fees	147,812	108,152	-	-	147,812	108,152
Investment earnings	-	4,418	-	3,961	-	8,379
Miscellaneous	11,702	8,816	1,850	1,122	13,552	9,938
Gain (loss) on disposal of capital assets	-	(1,868)	-	-	-	(1,868)
<b>Total Revenues</b>	<b>510,534</b>	<b>378,521</b>	<b>485,782</b>	<b>391,696</b>	<b>996,316</b>	<b>770,217</b>
Expenditures						
General government	77,599	94,657	-	-	77,599	94,657
Public safety	181,656	163,063	-	-	181,656	163,063
Public works	104,418	28,073	-	-	104,418	28,073
Economic development	3,387	24,002	-	-	3,387	24,002
Water and sewer fund	-	-	508,275	379,952	508,275	379,952
Community center	-	-	2,357	2,739	2,357	2,739
<b>Total Expenses</b>	<b>367,060</b>	<b>309,795</b>	<b>510,632</b>	<b>382,691</b>	<b>877,692</b>	<b>692,486</b>
Change in net position	143,474	68,726	(24,850)	9,005	118,624	77,731
Net position, beginning	743,615	674,889	1,392,811	1,383,806	2,136,426	2,058,695
Net position, ending	<b>\$ 887,089</b>	<b>\$ 743,615</b>	<b>\$ 1,367,961</b>	<b>\$ 1,392,811</b>	<b>\$ 2,255,050</b>	<b>\$ 2,136,426</b>

**CITY OF MILES, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS**

As noted earlier, the City of Miles uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As September 30, 2021, the City of Miles' governmental General Fund reported an ending fund balance of \$612,494, with \$49,891 reserved for EDC and \$591,256 was unassigned and available for spending at the City's discretion. This represents approximately fifteen months of operating equity based on fiscal year 2021 General fund expenses.

**CAPITAL ASSETS**

The City of Miles' investment in capital assets for its governmental activities amounts to \$245,942 (net of accumulated depreciation) as of September 30, 2021, and its investment in capital assets for its business-type activities amounts to \$1,216,116 (net of accumulated depreciation and related debt) as of September 30, 2021. These investments in capital assets includes land, buildings, street improvements, water and sewer facilities, as well as city vehicles and equipment.

See detailed comparative schedules of the City's capital asset balances on the following page.

Additional information on the City's capital assets can be found in Note 4 on pages 25 and 26 of this report.

**DEBT ADMINISTRATION AND LONG TERM LIABILITIES**

At September 30, 2021, the City had \$212,127 in outstanding long-term liabilities. See detailed comparative schedules of the City's long-term liabilities on the following page. Additional information on the City's debt can be found in Note 6 on page 27 of this report.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Miles' finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Secretary, City of Miles, 110 Robinson Street, Miles, Texas 76861.

**CITY OF MILES, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**City of Miles' Capital Assets—Comparative Schedules**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Land	\$ 48,407	\$ 48,407	\$ 202,341	\$ 202,341	\$ 250,748	\$ 250,748
Buildings and improvements	14,868	17,256	41,965	43,535	56,833	60,791
Machinery, vehicles and equipment	63,981	51,031	280,260	751,977	344,241	803,008
Infrastructure	118,686	123,400	-	-	118,686	123,400
Improvements other than buildings	-	-	691,550	303,443	691,550	303,443
	<u>\$ 245,942</u>	<u>\$ 240,094</u>	<u>\$ 1,216,116</u>	<u>\$ 1,301,296</u>	<u>\$ 1,462,058</u>	<u>\$ 1,541,390</u>

**City of Miles' Long-Term Liabilities—Comparative Schedules**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Compensated absences	\$ 9,796	\$ 6,728	\$ 4,093	\$ 3,202	\$ 13,889	\$ 9,930
Net OPEB liability	4,474	3,590	5,627	1,999	10,101	5,589
Notes payable	-	-	212,127	22,583	212,127	22,583
	<u>\$ 14,270</u>	<u>\$ 10,318</u>	<u>\$ 221,847</u>	<u>\$ 27,784</u>	<u>\$ 236,117</u>	<u>\$ 38,102</u>

# **BASIC FINANCIAL STATEMENTS**

**CITY OF MILES, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021**

	<b>Primary Government</b>		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Pooled cash and cash equivalents	\$ 593,066	\$ 422,373	\$ 1,015,439
Investments			
Receivables (net of allowance for uncollectibles)	42,526	44,138	86,664
Prepaid expenses	1,801	3,688	5,489
Capital assets:			
Land	48,407	202,341	250,748
Buildings and other improvements	52,763	2,220,589	2,273,352
Machinery, vehicles and equipment	189,919	303,076	492,995
Infrastructure	177,126	-	177,126
Less accumulated depreciation	<u>(222,273)</u>	<u>(1,509,890)</u>	<u>(1,732,163)</u>
Net pension asset	<u>44,438</u>	<u>55,880</u>	<u>100,318</u>
 Total assets	 <u>927,773</u>	 <u>1,742,195</u>	 <u>2,669,968</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to TMRS- pension	40	444	484
Deferred outflows related to TMRS- OPEB	<u>1,419</u>	<u>1,784</u>	<u>3,203</u>
Total deferred outflows of resources	<u>1,459</u>	<u>2,228</u>	<u>3,687</u>
<b>INTERNAL BALANCES</b>	<u>11,895</u>	<u>(11,895)</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable	34,110	102,903	137,013
Accrued liabilities	2,684	10,083	12,767
Deposits payable	-	25,528	25,528
Current portion of noncurrent liabilities	-	21,842	21,842
Noncurrent liabilities			
Compensated absences	9,796	4,093	13,889
Net OPEB liability	4,474	5,627	10,101
Due in more than one year	<u>-</u>	<u>190,285</u>	<u>190,285</u>
Total liabilities	<u>51,064</u>	<u>360,361</u>	<u>411,425</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue, utility customers	-	466	466
Deferred inflow related to TMRS- pension	1,439	1,809	3,248
Deferred inflow related to TMRS- OPEB	<u>1,535</u>	<u>1,931</u>	<u>3,466</u>
Total deferred inflows of resources	<u>2,974</u>	<u>4,206</u>	<u>7,180</u>
<b>NET POSITION</b>			
Net investment in capital assets	245,942	1,059,869	1,305,811
Restricted for EDC	49,891	-	49,891
Unrestricted	<u>591,256</u>	<u>308,092</u>	<u>899,348</u>
Total net position	<u>\$ 887,089</u>	<u>\$ 1,367,961</u>	<u>\$ 2,255,050</u>

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

**CITY OF MILES, TEXAS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>						
<b>GOVERNMENTAL ACTIVITIES</b>						
General government	\$ 77,599	\$ -	\$ 73,437	\$ (4,162)	\$ -	\$ (4,162)
Public safety	181,656	-	-	(181,656)	-	(181,656)
Public works	104,418	-	-	(104,418)	-	(104,418)
Economic development	3,387	-	-	(3,387)	-	(3,387)
Total governmental activities	<u>367,060</u>	<u>-</u>	<u>73,437</u>	<u>(293,623)</u>	<u>-</u>	<u>(293,623)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Water and sewer fund	508,275	373,937	108,035	-	(26,303)	(26,303)
Weatherby hall community center	2,357	1,960	-	-	(397)	(397)
Total business-type activities	<u>510,632</u>	<u>375,897</u>	<u>108,035</u>	<u>-</u>	<u>(26,700)</u>	<u>(26,700)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 877,692</u>	<u>\$ 375,897</u>	<u>\$ 181,472</u>	<u>(293,623)</u>	<u>(26,700)</u>	<u>(320,323)</u>
General revenues:						
Property taxes				114,624	-	114,624
Sales and use taxes				134,185	-	134,185
Franchise taxes				28,774	-	28,774
Licenses, permits, and fees				147,812	-	147,812
Miscellaneous				11,702	1,850	13,552
Total general revenues				<u>437,097</u>	<u>1,850</u>	<u>438,947</u>
<b>CHANGE IN NET POSITION</b>				143,474	(24,850)	118,624
<b>NET POSITION AT BEGINNING OF YEAR</b>				743,615	1,392,811	2,136,426
<b>NET POSITION AT END OF YEAR</b>				<u>\$ 887,089</u>	<u>\$ 1,367,961</u>	<u>\$ 2,255,050</u>

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

**CITY OF MILES, TEXAS  
BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021**

	<u>General Fund</u>	<u>Miles Economic Development Corporation</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 546,854	\$ 46,212	\$ 593,066
Accounts and taxes receivable, net	39,932	2,594	42,526
Due from other funds	10,810	1,085	11,895
Prepaid expenses	1,801	-	1,801
Total assets	<u>\$ 599,397</u>	<u>\$ 49,891</u>	<u>\$ 649,288</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 34,110	\$ -	\$ 34,110
Accrued liabilities	2,684	-	2,684
Total liabilities	36,794	-	36,794
<b>FUND BALANCES</b>			
Restricted fund balance:			
Economic Development Corporation	-	49,891	49,891
Unassigned fund balance	562,603	-	562,603
Total fund balances	<u>562,603</u>	<u>49,891</u>	<u>612,494</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 599,397</u>	<u>\$ 49,891</u>	<u>\$ 649,288</u>

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

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

Total Fund Balances - Governmental Funds Balance Sheet	\$	612,494
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. The net effect is to increase net position.</p>		245,942
<p>Included in items related to assets, liabilities, and deferred inflows and outflows of resources, are the City's share of their actuarially determined Net pension asset, Net OPEB liability, and related deferred in or outflows. The net effect is an increase to net position.</p>		38,449
<p>Long-term liabilities, like compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds. The net effect is a decrease in net position.</p>		(9,796)
Net Position of Governmental Activities - Statement of Net Position	\$	887,089

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

**CITY OF MILES, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE—GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>General Fund</u>	<u>Miles Economic Development Corporation</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes			
Property	\$ 117,691	\$ -	\$ 117,691
Sales and use	111,821	22,364	134,185
Franchise	28,774	-	28,774
Licenses and permits	2,706	-	2,706
Charges for services	145,106	-	145,106
Grants and contributions	73,437	-	73,437
Miscellaneous	11,702	-	11,702
Total revenues	<u>491,237</u>	<u>22,364</u>	<u>513,601</u>
<b>EXPENDITURES</b>			
Current:			
General administrative	86,051	-	86,051
Public safety	169,537	-	169,537
Public works	95,878	-	95,878
Economic development	-	3,387	3,387
Capital outlay	29,717	-	29,717
Total expenditures	<u>381,183</u>	<u>3,387</u>	<u>384,570</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>110,054</u>	<u>18,977</u>	<u>129,031</u>
NET CHANGE IN FUND BALANCES	110,054	18,977	129,031
FUND BALANCES AT BEGINNING OF YEAR	<u>452,549</u>	<u>30,914</u>	<u>483,463</u>
FUND BALANCES AT END OF YEAR	<u>\$ 562,603</u>	<u>\$ 49,891</u>	<u>\$ 612,494</u>

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

**CITY OF MILES, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net Change in Fund Balances - Total Governmental Funds	\$	129,031
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect is an increase change in net position.</p>		29,717
<p>Depreciation expense is recorded in the government-wide financial statements and as an increase to accumulated depreciation, but is not recorded in the fund financial statements. The effect is a decrease to change in net position.</p>		(23,869)
<p>Gains or losses on sale or disposal of capital assets is recorded as such in the government-wide financial statements, but is only recorded as revenue or expense in the fund financial statements. The effect of the current year loss on disposal of fixed assets is a decrease in net position.</p>		-
<p>GASB 75 and GASB 68 require that certain expenses recorded in the government-wide financial statements be adjusted to reflect the City's pension and OPEB assets, deferred outflows, liabilities, and deferred inflows at their actuarially determined values. The current year result is an increase to the change in net position.</p>		11,662
<p>Property tax revenues are reported in the fund financial statements on the modified-accrual basis, resulting in the deferral of uncollected taxes. They are reported in the government-wide financial statements on the full-accrual basis, meaning the current year effect is the change in the unavailable revenue balances at the current fiscal yearend and the previous fiscal yearend. The current effect is a decrease to the change in net position.</p>		(3,067)
Change in Net Position of Governmental Activities - Statement of Activities	\$	143,474

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

**CITY OF MILES, TEXAS**  
**STATEMENT OF NET POSITION—PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2021**

	Utility Fund	Nonmajor - Weatherby Hall Community Center	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 416,059	\$ 6,314	\$ 422,373
Accounts receivable, net	44,138	-	44,138
Due from other funds	4,375	-	4,375
Prepaid expenses	3,688	-	3,688
Total current assets	<u>468,260</u>	<u>6,314</u>	<u>474,574</u>
Noncurrent assets:			
Capital assets:			
Land	202,341	-	202,341
Buildings and other improvements	2,157,525	63,064	2,220,589
Machinery and equipment	299,667	3,409	303,076
Less accumulated depreciation	(1,481,047)	(28,843)	(1,509,890)
Net pension asset	55,880	-	55,880
Total noncurrent assets	<u>1,234,366</u>	<u>37,630</u>	<u>1,271,996</u>
Total assets	<u>\$ 1,702,626</u>	<u>\$ 43,944</u>	<u>\$ 1,746,570</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions and OPEB	2,228	-	2,228
Total deferred outflows of resources	<u>2,228</u>	<u>-</u>	<u>2,228</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 102,765	\$ 138	\$ 102,903
Accrued liabilities	10,083	-	10,083
Due to other funds	-	16,270	16,270
Customer deposits	25,528	-	25,528
Notes payable- current	21,842	-	21,842
Unearned revenue	466	-	466
Total current liabilities	<u>160,684</u>	<u>16,408</u>	<u>177,092</u>
Noncurrent liabilities:			
Net OPEB liability	5,627	-	5,627
Compensated absences	4,093	-	4,093
Notes payable	190,285	-	190,285
Total noncurrent liabilities	<u>200,005</u>	<u>-</u>	<u>200,005</u>
Total liabilities	<u>360,689</u>	<u>16,408</u>	<u>377,097</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions and OPEB	3,740	-	3,740
Total deferred inflows of resources	<u>3,740</u>	<u>-</u>	<u>3,740</u>
<b>NET POSITION</b>			
Net invested in capital assets	1,022,239	37,630	1,059,869
Unrestricted	318,186	(10,094)	308,092
Total fund balances	<u>1,340,425</u>	<u>27,536</u>	<u>1,367,961</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
	<u>\$ 1,704,854</u>	<u>\$ 43,944</u>	<u>\$ 1,748,798</u>

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

**CITY OF MILES, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION—PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Water &amp; Sewer</u>	<u>Nonmajor - Weatherby Hall Community Center</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for sales and services			
Water sales	\$ 296,128	\$ -	\$ 296,128
Sewer charges	67,199	-	67,199
Sanitation charges	10,610	-	10,610
Rent income	-	1,960	1,960
Total operating revenues	<u>373,937</u>	<u>1,960</u>	<u>375,897</u>
<b>OPERATING EXPENSES</b>			
Costs of sales and services	223,545	1,161	224,706
Administrative expenses	164,146	-	164,146
Depreciation	112,621	1,196	113,817
Total operating expenses	<u>500,312</u>	<u>2,357</u>	<u>502,669</u>
<b>OPERATING INCOME</b>	<u>(126,375)</u>	<u>(397)</u>	<u>(126,772)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Grant revenue	108,035		108,035
Miscellaneous revenues	1,850	-	1,850
Interest expense	(7,963)	-	(7,963)
Total non-operating revenues (expenses)	<u>101,922</u>	<u>-</u>	<u>101,922</u>
<b>CHANGE IN NET POSITION</b>	<u>(24,453)</u>	<u>(397)</u>	<u>(24,850)</u>
<b>NET POSITION - BEGINNING</b>	<u>1,364,878</u>	<u>27,933</u>	<u>1,392,811</u>
<b>NET POSITION - ENDING</b>	<u>\$ 1,340,425</u>	<u>\$ 27,536</u>	<u>\$ 1,367,961</u>

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

**CITY OF MILES, TEXAS  
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Combined Business Type Activities</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 377,716
Payments to employees for salaries and benefits	(146,353)
Payments to suppliers and service providers	(185,074)
Net cash provided by operating activities	46,289
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest paid on capital debt	(5,897)
Principal paid on capital debt	(21,834)
Cash paid for capital assets	(28,637)
Net cash used in capital and related financing activities	(56,368)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Miscellaneous revenues	109,885
Net cash provided by investing activities	109,885
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	99,806
<b>CASH AND EQUIVALENTS, BEGINNING</b>	322,567
<b>CASH AND EQUIVALENTS, ENDING</b>	\$ 422,373
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (126,772)
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation	113,817
Changes in operating assets	
Receivables	(817)
Prepaid expenses	(1,322)
Changes in operating liabilities	
Accounts payable	75,141
Accrued liabilities and payroll	1,227
Changes in pension related accruals/deferrals	(15,857)
Customer deposits	1,270
Deferred income	(398)
Net cash provided by operating activities	\$ 46,289

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

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

**General Description of Reporting Entity**

The financial statements of the City of Miles, Texas (the City) are prepared in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the City are described in the following notes to the financial statements.

The City, incorporated in 1906, adopted the powers of cities and towns under the provision of Title 28, Revised Civil Statutes of Texas, 1925, as amended. The City Council, which is made up of up to five Council Members and the Mayor, is the general governing body of the City. The City provides the following services as authorized by the statutes of the State of Texas: administrative (e.g., tax collection), public safety (police), public works, public utilities (water, sewer, and solid waste), and urban development and housing. As required by accounting principles generally accepted in the United States of America, these financial statements include the accounts of all City operations (the primary government), and a component unit for which the City is considered to be financially accountable. The City's component unit has a September 30 year end and the City maintains the accounting records in a separate fund in the City's general ledger. The component unit's financial statements are reported as a special revenue fund in a separate column to emphasize that it is legally separate from the City.

**Component Unit**

The Miles Economic Development Corporation (MEDC) was created to administer the 4B economic development sales tax proceeds approved by the voters in an election on November 6, 2007, and it is a duly constituted authority and instrumentality of the City. The MEDC's governing body is appointed by the City council and its budget is subject to approval by the City council.

**Basis of Presentation – Government-wide Financial Statements**

The statement of net position and the statement of changes in net position include the financial activities of the overall government. The government activities column incorporates data from the governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect on inter-fund activity has been eliminated from the government-wide financial statements. An exception to this general rule would be charges between the enterprise funds and the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, inter-governmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of changes in net position presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of changes in net position. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, fees, fines, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Basis of Presentation – Fund Financial Statements – Continued**

The fund financial statements provide information about the City's funds. Separate statements are presented for each fund category; governmental and proprietary. The City reports the following governmental funds:

The General Fund is the City's only major governmental fund and is its primary operating fund. It accounts for and reports all financial resources of the City except those required to be accounted for and reported in another fund.

The Miles Economic Development Corporation (MEDC) fund is a governmental special revenue fund that accounts for the collection of the 4B economic development sales tax and the expenditure of those taxes on authorized projects pursuant to the election ballot and applicable state laws.

The City reports the following enterprise funds:

The Utility Fund is to account for the provisions of water, sewer, and sanitation services to residents and commercial enterprises of the City and approximate area. The City maintains this fund to account for water and sewer billing and collection, maintenance and operations, extension and improvements, consumer deposits and debt service, all of which are intended to be self-supporting through user charges.

The Weatherby Hall Community Center fund is a non-major enterprise fund that accounts for the operation of a building that was acquired and renovated by the City through this fund, primarily to provide a facility or venue for lease to the general public.

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

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

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants, entitlements, and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Measurement Focus and Basis of Accounting—Continued**

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as they are both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they generally are not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures are recorded when the related liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Utility Fund. The appropriated budget is prepared by fund and department, which is the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

The City budgets so that each fund will have a change in net position of about \$0 every year, so the actual resulting increase or decrease in net position is equivalent to the variance from the adopted budget.

For the year ended September 30, 2021, General fund revenues were \$72,152 over budget and expenditures were \$34,124 under budget, resulting in a favorable budget variance of \$106,276 in the General fund's fund balance from the final budget.

For the year ended September 30, 2021, Utility fund revenues were \$15,855 under budget and expenses were \$21,771 under budget, resulting in a favorable budget variance of \$5,916 before miscellaneous and grant revenue were considered in the Utility fund's net position from the final budget.

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

Deposits and Investments

For purposes of the statement of cash flows, highly liquid investments are considered cash equivalents if they have a maturity of three months or less when purchased.

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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

Deposits and Investments—Continued

Investments are reported at fair value. U.S. Treasury obligations, if any, are valued at the last reported sales price on a national exchange. Investments in certificates of deposit, if any, are valued at cost as they are nonparticipating investments in which the value does not vary with market interest rate changes. City funds which are invested in external pools which are established under the authority of the Inter-local Cooperative Act, Chapter 791 of the Texas Government Code. The City’s investments in these pooled funds use amortized cost to value portfolio assets and follow the criteria for GASB Statement No. 79.

Receivables and Payables

Amounts are aggregated into a single receivable (net of allowances for uncollectible) line for certain funds and aggregated columns. The allowance, where applicable, is based on historical experiences. Payables consist of vendor obligations for goods and services.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Vehicles and machinery and equipment related assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Buildings and improvements are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years.

Land is not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	20-40 years
Improvements other than buildings	15-30 years
Machinery and other equipment	5-10 years
Infrastructure	20 years

Inter-fund activity

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

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 MILES, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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

Net Position

In government-wide financial statements, net position is classified and displayed in three categories:

Net Investment in Capital Assets – this amount consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted – this amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted – this amount includes all amounts that comprise net position that do not meet the definition of “net investment in capital assets” or “restricted”.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance

Fund balance is reported in five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable fund balance – (inherently not spendable)

Includes amounts that will never convert to cash or will not convert to cash in the current period, such as inventory, supplies, long-term portion of loans and non-financial assets held for resale or principal of an endowment.

Restricted fund balance – (externally enforceable limitations on use)

Includes amounts that can be spent only for specific purposes stipulated by external resource providers such as grantors, contributors, laws and regulations of other governments, enabling legislation or constitutional provisions.

Committed fund balance – (self-imposed limitations)

Includes amounts that can be used for the specific purposes determined by a formal action of the City Council in form of a resolution. Commitments may be changed or lifted only by taking the same formal action that imposed the constraints originally.

Assigned fund balance – (limitation resulting from management’s intended use)

Comprises amounts intended to be used for a specific purpose, as expressed by City Council, by a designated official or committee. By adopting this policy, the City Council has hereby authorized the City Manager as the official to assign fund balance to a specific purpose. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed, as it is intended to be used for the purpose of that fund.

Unassigned fund balance – (residual net resources)

This is the excess of total fund balance over non-spendable, restricted, committed, and assigned fund balance. Unassigned amounts are technically available for any purpose.

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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

Fund Balance—Continued

*Order of Expenditure of Funds:* When multiple categories of fund balances are available for expenditure the City will start with the most restricted category first until depleted before moving to the next category with available funds. Spendable fund categories in order of most restricted to least restricted are: Restricted, Committed, Assigned, and Unassigned.

**Revenues and Expenditures/Expenses**

Program Revenues

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 program and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or program. All taxes are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administration, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

City policies and legal and contractual provisions governing deposits are as follows:

**Custodial Credit Risk – Deposits:** During the normal course of operations, with the City's routine deposit and check writing structure, the City may, at times, carry bank balances that exceed federally insured limits. City management does not consider this to be a significant risk to the City.

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 2 – DEPOSITS AND INVESTMENTS – Continued**

Investment Accounting Policy

All investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short- term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest earning investment contracts.

Compliance with the Public Funds Investment Act

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2021, the City had the following investments, which are included in cash and cash equivalents:

	Governmental Type		Business-Type
	General Fund	Miles Economic Development Corporation	Utility Fund
Citizen's State Bank:			
CD #55224	\$ 281,273	\$ -	\$ -
CD #55066	-	16,011	-
CD #55225	-	-	266,093
Total Citizen's State Bank	\$ 281,273	\$ 16,011	\$ 266,093

**NOTE 3 – RECEIVABLES**

Receivables for the governmental and business-type activities in the aggregate including the applicable allowance for uncollectible accounts are as follows:

	Business-Type		Total
	Water and Sewer Fund	Weatherby Hall Fund	Proprietary Funds
Receivables from customers			
Total receivables	\$ 44,138	\$ -	\$ 44,138

**CITY OF MILES, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 3 – RECEIVABLES—Continued**

	Governmental Type		Total Governmental Funds
	General Fund	Miles Economic Development Corporation	
Receivables			
Property taxes receivable	\$ 6,054	\$ -	\$ 6,054
State Comptroller receivable	15,023	2,455	17,478
Franchise tax receivable	10,431	-	10,431
Accounts receivable	8,424	139	8,563
Total receivables	<u>\$ 39,932</u>	<u>\$ 2,594</u>	<u>\$ 42,526</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended September 30, 2021, was as follows:

<b>Governmental Activities</b>	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 48,407	\$ -	\$ -	\$ 48,407
Total capital assets not being depreciated	48,407	-	-	48,407
Capital assets being depreciated:				
Buildings	52,763	-	-	52,763
Infrastructure	177,126	-	-	177,126
Machinery and equipment	160,202	29,717	-	189,919
Total capital assets being depreciated	390,091	29,717	-	419,808
Less accumulated depreciation for:				
Buildings	(35,507)	(2,388)	-	(37,895)
Infrastructure	(53,726)	(4,714)	-	(58,440)
Machinery and equipment	(109,171)	(16,767)	-	(125,938)
Total accumulated depreciation	(198,404)	(23,869)	-	(222,273)
Total capital assets being depreciated, net	191,687	5,848	-	197,535
Governmental activities capital assets, net	<u>\$ 240,094</u>	<u>\$ 5,848</u>	<u>\$ -</u>	<u>\$ 245,942</u>

Depreciation expense was charged to the departments of the governmental activities of the primary government as follows:

Governmental activities:	
General Government	\$ 3,210
Public Safety	12,119
Public Works	8,540
	<u>\$ 23,869</u>

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 4 – CAPITAL ASSETS – Continued**

Capital asset activity for business-type activities for the year ended September 30, 2021, was as follows:

<b>Business-type Activities</b>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 202,341	\$ -	\$ -	\$ 202,341
Total capital assets not being depreciated	202,341	-	-	202,341
Capital assets being depreciated:				
Buildings	70,554	-	-	70,554
Improvements other than buildings	1,922,470	-	-	1,922,470
Machinery and equipment	502,004	28,637	-	530,641
Total capital assets being depreciated	2,495,028	28,637	-	2,523,665
Less accumulated depreciation for:				
Buildings	(27,019)	(1,570)	-	(28,589)
Improvements other than buildings	(1,170,493)	(60,427)	-	(1,230,920)
Machinery and equipment	(198,561)	(51,820)	-	(250,381)
Total accumulated depreciation	(1,396,073)	(113,817)	-	(1,509,890)
Total capital assets being depreciated, net	1,098,955	(85,180)	-	1,013,775
Governmental activities capital assets, net	\$ 1,301,296	\$ (85,180)	\$ -	\$ 1,216,116

Depreciation expense was charged to the departments/funds of the business-type activities of the primary government as follows:

Business-type activities:	
Utilities	\$ 112,621
Weatherby Hall	1,196
Public Works	\$ <u>113,817</u>

**NOTE 5 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS**

The primary purpose for inter-fund transfers is to reimburse or supplement resources between the funds. There were no interfund transfers in the year ended September 30, 2021.

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 5 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS—Continued**

The primary purpose of inter-fund receivables and payables is the loaning of resources between funds for the purpose of meeting current year expenditures. The following is a summary of items due to/from various funds (labeled internal balances on the Government-wide financial statements) as of September 30, 2021:

	Governmental type		Business-type	
	General Fund	Development Corporation Fund	Water & Sewer Fund	Weatherby Hall Community Center Fund
Due to/(from)	\$ 11,895	\$ -	\$ -	\$ (11,895)
Due to/(from)	(1,085)	1,085	-	-
Due to/(from)	-	-	4,375	(4,375)
Total Due to/(from)	<u>\$ 10,810</u>	<u>\$ 1,085</u>	<u>\$ 4,375</u>	<u>\$ (16,270)</u>

**NOTE 6 – LONG-TERM DEBT**

Business-Type

The City's Utility fund financed the purchase of a water meter system with a revolving line of credit from Citizen's State Bank with a \$250,000 maximum. The required principle and interest payments of the \$212,127 outstanding as of September 30, 2021 is as follows:

Year Ending September 30,	Business-type Revolving Line of Credit Matures December 1, 2029		
	Principal	Interest	Total
2022	21,842	7,955	29,797
2023	22,661	7,136	29,797
2024	23,511	6,286	29,797
2025	24,393	5,404	29,797
2026	25,307	4,490	29,797
Thereafter	94,413	8,105	102,518
Total	<u>\$ 212,127</u>	<u>\$ 39,376</u>	<u>\$ 251,503</u>

Changes in Long Term Liabilities

The following is a summary of changes in long term debt for the year ended September 30, 2021:

	September 30,		September 30,		Due Within One Year
	2020	Increases	Decreases	2021	
Business-type activities					
Revolving line of credit, up to \$250,000, Citizen's State Bank	\$ 233,961	\$ -	\$ (21,834)	\$ 212,127	\$ 21,842
	<u>\$ 233,961</u>	<u>\$ -</u>	<u>\$ (21,834)</u>	<u>\$ 212,127</u>	<u>\$ 21,842</u>

Interest expense of -\$7,963 paid or accrued as of and for the year ended September 30, 2021 is recognized by the Utility fund.

**CITY OF MILES, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 7 – OTHER CITY ASSETS AND LIABILITIES**

Prepaid expenses are made up of dispatch and software services expenses paid for prior to September 30, 2021 for contract services to be received after September 30, 2021. Total prepaid expenses as of September 30, 2021 were \$1,801 and \$3,688 for governmental type and business-type activities, respectively.

Deposits payable represents amounts of Utility customer deposits that are refundable or applicable to customers' final utility bills upon their termination of their utility services contract with the City. Total deposits payable as of September 30, 2021 were \$25,528 for the City's business-type activities.

Compensated absences liability represents the portion of earned but unused employee benefits including vacation and sick leave that the City pays upon retirement or death of certain employees. Total compensated absences liabilities as of September 30, 2021 were \$9,796 and \$4,093 for governmental type and business-type activities, respectively.

Deferred revenue is made up of utility payments received by the City prior to the City's rendering the services for which they were paid. As of September 30, 2021, total deferred revenue was \$466 for the City's business-type activities.

**NOTE 8 – RISK MANAGEMENT**

The City has established risk management programs for liability, worker's compensation, property damage, and employee health care. These risks of loss are handled through the purchase of commercial insurance policies with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas. The City pays a deductible per incident except on the employee health insurance in which the deductible is the responsibility of the employee. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage for the current year or the previous three years.

**NOTE 9 – PENSION PLAN**

Plan Description.

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

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.

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 9 – PENSION PLAN—Continued**

Benefits Provided—Continued

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

Members can retire at ages 60 and above with five or more years of service or with twenty years of service. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

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	1
Inactive employees entitled to but not yet receiving benefits	10
Active employees	4
Total	15

Contributions.

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

Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal period. The City's contributions to TMRS for the year ended September 30, 2021, were approximately \$0 and were equal to the required contributions.

Net Pension Liability or Asset.

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

Actuarial assumptions.

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

Inflation	2.50% per year
Salary increases	3.50% to 11.50% including inflation
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%

These actuarial assumptions used in the December 31, 2020 valuation 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. Economic assumptions used in the actuarial valuations are on the following page.

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 9 – PENSION PLAN—Continued**

Actuarial assumptions—Continued

*Discount/Crediting Rates, System-wide Investment Return Assumption:* 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers.

*Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts:* an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

*Overall Payroll Growth – 2.75%* per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2008 to 2018, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

*Individual Salary Increases:* Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

*Annuity Increase:* The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Miles annual annuity increases of 0.00% are assumed when calculating the TPL.

*Load for Updated Service Credit:* To reflect the asymmetric nature of the credits due to the USC provision, there is a load on the final average earnings used in the calculation of 0.1% per year into the future that the calculation is performed.

Demographic assumptions used in the actuarial valuations are as follows:

*Termination rates:* For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Miles the base table is then multiplied by a factor of 75.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 68%, 2) Police – 86%, or 3) Other – 108%. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Miles the base table is then multiplied by a factor of 75.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 54%, 2) Police – 83%, or 3) Other – 113%.

*Forfeiture Rates:* (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates described above. The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1½-to-1 cities, and 8% is added for 1-to-1 cities. Miles is a 1-to-1 city.

*Service Retirees and Beneficiary Mortality Rates:* For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 88.0%.

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 9 – PENSION PLAN—Continued**

Actuarial assumptions—Continued

*Disabled Annuitant Mortality Rates:* For calculating the actuarial liability and the retirement contribution rates, the 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% 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.

*Pre-Retirement Mortality:* For calculating the actuarial liability and the retirement contribution rates, the 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 by Scale UMP to account for future mortality improvements.

*Annuity Purchase Rates:* For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) until 2027 are based on a mortality study performed in 2013, with the factors phasing into being based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. The current table of APRs is explicitly valued through 2032 and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries.

The following table summarizes changes in the Total Pension Liability and Plan Fiduciary Net Position (the difference of which is the Net Pension Liability) between the December 31, 2019 and December 31, 2020 measurement dates:

Changes in Net Pension Liability / (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2019	\$ 267,977	\$ 358,744	\$ (90,767)
Changes for the year:			
Service cost	11,582	-	11,582
Interest on total pension liability	18,235	-	18,235
Changes of benefit terms	-	-	-
Difference in expected and actual experience	(4,109)	-	(4,109)
Benefit payments	(7,236)	(7,236)	-
Administrative expenses	-	(176)	176
Member contributions	-	8,249	(8,249)
Net investment income	-	27,193	(27,193)
Employer contributions	-	-	-
Other	-	(7)	7
Balances as of December 31, 2020	<u>\$ 286,449</u>	<u>\$ 386,767</u>	<u>\$ (100,318)</u>

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 9 – PENSION PLAN—Continued**

Sensitivity of the Discount Rate

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

		Current Discount Rate (6.75%)		1% Increase (7.75%)
	1% Decrease (5.75%)			
Net pension liability (asset)	\$ (65,643)	\$ (100,318)	\$	(129,019)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the internet at [www.TMRS.com](http://www.TMRS.com).

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

For the year ended September 30, 2021, the City recognized pension expense of \$4,109.

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

		<u>Deferred Inflows of Resources</u>		<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$	(2,647)	\$	-
Changes in actuarial assumptions		-		-
Net difference between projected and actual investment earnings		(595)		-
Contributions paid to TMRS subsequent to the measurement date		-		253
Total	\$	<u>(3,242)</u>	\$	<u>253</u>

\$253 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2021	\$	(5,361)		
2022		(933)		
2023		(5,939)		
2024		(597)		
2025		-		
Thereafter		-		
	\$	<u>(12,830)</u>		

Required Supplementary Information

The City is required to present its Schedule of Changes in its Net Pension Liability and Related Ratios which shows the changes in the Total Pension Liability and the Fiduciary Net Position, resulting in the Net Pension Asset as of September 30, 2021. This supplementary information beginning on page 38 includes further details regarding the actuarial assumptions for the December 31, 2020 valuation date.

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

Plan Description

The City of Miles voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a defined benefit group-term life insurance Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City’s pension plan.

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st. Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an “other postemployment benefit” (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

Employees Covered by Benefit Terms

In the December 31, 2020 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	2
Active employees	4
Total	6

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 the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers.

Actuarial Methods and Assumptions

The SDBF OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases:	3.50% to 11.50% including inflation
Discount rate:	2.00%

Salary increases were based on a service-related table.

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)—Continued**

Actuarial Methods and Assumptions—Continued

*Discount Rate:* Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of the measurement date.

The SDBF’s actuarial assumptions for Individual Salary Increases, Termination Rates, Forfeiture Rates, Service Retirees and Beneficiary Mortality Rates, Disabled Annuitant Mortality Rates, Pre-Retirement Mortality, Disability Rates, and Service Retirement Rates, applied to both Active and Inactive Members are the same as those described for the TMRS Pension Plan, in Note 9.

Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.00% was used to measure the SDBF OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2020.

Sensitivity of the SDBF OPEB Liability to Changes in the Discount Rate. The following schedule shows the impact of the SDBF OPEB liability if the discount rate used was 1% less than (1.00%) and 1% greater than (3.00%) the discount rate that was used (2.00%) in measuring the OPEB liability:

		Current		
	1% Decrease	Discount Rate	1% Increase	
	(1.00%)	(2.00%)	(3.00%)	
Total OPEB Liability	\$ 13,083	\$ 10,101	\$ 7,928	

OPEB Liability

At September 30, 2021, the City reported a liability of \$10,101 for its total SDBF OPEB liability. The total SDBF OPEB liability was determined by an actuarial valuation as of December 31, 2020. There were no changes of benefit terms that affected measurement of the Total SDBF Liability during the measurement period.

The total OPEB Liability was effected by the following changes between the December 31, 2019 and 2020 valuation dates is as follows:

Changes in Net OPEB Liability / (Asset)	Total OPEB Liability
Balances as of December 31, 2019	\$ 7,997
Changes for the year:	
Service cost	1,732
Interest on total OPEB liability	244
Difference in expected and actual experience	(1,539)
Changes of assumptions	1,667
Balances as of December 31, 2020	\$ 10,101

**CITY OF MILES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)—Continued**

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

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ (3,466)	\$ -
Net difference between projected and actual investment earnings	-	3,203
Total	<u>\$ (3,466)</u>	<u>\$ 3,203</u>

These deferred outflows of resources related to SDBF OPEB will be recognized in OPEB expense as follows:

Year ended December 31:

2021	\$	26
2022		26
2023		(120)
2024		(218)
2025		21
Thereafter		2
	\$	<u>(263)</u>

**NOTE 11 – SUBSEQUENT EVENTS**

We have considered all events and transactions between the fiscal yearend of September 30, 2021 and the date this report was available to be issued, August 15, 2022, and noted nothing requiring disclosure.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CITY OF MILES, TEXAS  
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Actual Results Cash Basis</b>	<b>Final Budget Results</b>	<b>Variance from Budget Favorable (Unfavorable)</b>	<b>GAAP Adjustments</b>	<b>Actual Results GAAP Basis</b>
<b>REVENUES</b>					
Taxes					
Property	\$ 117,992	\$ 116,523	\$ 1,469	\$ (301)	\$ 117,691
Sales and use	111,821	80,000	31,821	-	111,821
Franchise	30,488	30,000	488	(1,714)	28,774
Licenses and permits	2,706	2,000	706	-	2,706
Charges for services	145,106	156,600	(11,494)	-	145,106
Investment earnings	-	-	-	-	0
Grants and contributions	73,437	30,977	42,460	-	73,437
Miscellaneous	11,702	5,000	6,702	-	11,702
Total revenues	<u>493,252</u>	<u>421,100</u>	<u>72,152</u>	<u>(2,015)</u>	<u>491,237</u>
<b>EXPENDITURES</b>					
Current:					
General administrative	86,895	104,477	17,582	(844)	86,051
Public safety	196,433	191,203	(5,230)	(26,896)	169,537
Public works	95,878	117,650	21,772	-	95,878
Capital outlay	-	-	-	29,717	29,717
Total expenditures	<u>379,206</u>	<u>413,330</u>	<u>34,124</u>	<u>1,977</u>	<u>381,183</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>114,046</u>	<u>7,770</u>	<u>106,276</u>	<u>(3,992)</u>	<u>110,054</u>
<b>TRANSFERS IN</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 114,046</u>	<u>\$ 7,770</u>	<u>\$ 106,276</u>	<u>\$ (3,992)</u>	<u>\$ 110,054</u>

**CITY OF MILES, TEXAS**  
**UTILITY FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Actual Results Cash Basis</u>	<u>Final Budget Results</u>	<u>Variance from Budget Favorable (Unfavorable)</u>	<u>GAAP Adjustments</u>	<u>Actual Results GAAP Basis</u>
<b>OPERATING REVENUES</b>					
Charges for sales and services					
Water sales	\$ 296,128	\$ 310,200	\$ (14,072)	\$ -	\$ 296,128
Sewer charges	67,199	76,000	(8,801)	-	67,199
Sanitation charges	152,018	145,000	7,018	(141,408)	10,610
Total operating revenues	<u>515,345</u>	<u>531,200</u>	<u>(15,855)</u>	<u>(141,408)</u>	<u>373,937</u>
<b>OPERATING EXPENSES</b>					
Costs of sales and services	364,141	379,950	15,809	(140,596)	223,545
Administrative expenses	238,838	244,800	5,962	(74,692)	164,146
Depreciation	-	-	-	112,621	112,621
Total operating expenses	<u>602,979</u>	<u>624,750</u>	<u>21,771</u>	<u>(102,667)</u>	<u>500,312</u>
<b>OPERATING INCOME</b>	<u>(87,634)</u>	<u>(93,550)</u>	<u>5,916</u>	<u>(38,741)</u>	<u>(126,375)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Grant revenues	108,035	-	108,035	-	108,035
Gain on sale of capital assets	-	-	-	50,415	50,415
Miscellaneous revenues	1,850	1,000	850	(50,415)	(48,565)
Interest expense	-	-	-	(7,963)	(7,963)
Total non- operating revenues (expenses)	<u>109,885</u>	<u>1,000</u>	<u>108,885</u>	<u>(7,963)</u>	<u>101,922</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	22,251	(92,550)	114,801	(46,704)	(24,453)
<b>TRANSFERS IN</b>	-	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<u>\$ 22,251</u>	<u>\$ (92,550)</u>	<u>\$ 114,801</u>	<u>\$ (46,704)</u>	<u>\$ (24,453)</u>

**CITY OF MILES, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability (Asset)							
Service Cost	\$ 11,582	\$ 10,545	\$ 9,793	\$ 9,206	\$ 7,444	\$ 7,112	\$ 5,710
Interest (on total pension liability)	18,235	16,967	15,967	14,643	13,347	12,224	11,518
Change of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(4,109)	(4,396)	(6,142)	(1,023)	(2,473)	(2,573)	(7,447)
Change of assumptions	-	434	-	-	-	6,176	-
Benefit payments, including refunds to employee contributions	(7,236)	(3,334)	(7,018)	-	-	-	(788)
Net Change in Total Pension Liability	18,472	20,216	12,600	22,826	18,318	22,939	8,993
Total Pension Liability- Beginning	267,977	247,761	235,161	212,335	194,017	171,078	162,085
Total Pension Liability- Ending (a)	\$ <u>286,449</u>	\$ <u>267,977</u>	\$ <u>247,761</u>	\$ <u>235,161</u>	\$ <u>212,335</u>	\$ <u>194,017</u>	\$ <u>171,078</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Employee	8,249	7,096	6,906	7,104	5,899	5,926	4,455
Net Investment Income	27,193	47,494	(9,521)	37,838	16,919	360	13,024
Benefit payments, including refunds to employee contributions	(7,236)	(3,334)	(7,018)	-	-	-	(788)
Administrative expenses	(176)	(269)	(184)	(196)	(191)	(219)	(136)
Other	(7)	(9)	(10)	(10)	(10)	(11)	(11)
Net change in Fiduciary Net Position	28,023	50,978	(9,827)	44,736	22,617	6,056	16,544
Plan Fiduciary Net Position- Beginning	358,744	307,766	317,593	272,857	250,240	244,184	227,640
Plan Fiduciary Net Position- Ending (b)	\$ <u>386,767</u>	\$ <u>358,744</u>	\$ <u>307,766</u>	\$ <u>317,593</u>	\$ <u>272,857</u>	\$ <u>250,240</u>	\$ <u>244,184</u>
Net Pension Liability (Asset) - Ending (a) - (b)	(100,318)	(90,767)	(60,005)	(82,432)	(60,522)	(56,223)	(73,106)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	135%	134%	124%	135%	129%	129%	143%
Covered Employee Payroll	164,986	141,927	138,125	142,075	117,978	118,527	89,099
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-61%	-64%	-43%	-58%	-51%	-47%	-82%

A full 10 year schedule will be displayed as it becomes available.

**CITY OF MILES, TEXAS  
SCHEDULE OF CITY'S CONTRIBUTIONS TO PENSION PLAN  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ -	\$ 260	\$ 129	\$ 103	\$ 92	\$ 97	\$ 124
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>260</u>	<u>129</u>	<u>103</u>	<u>92</u>	<u>97</u>	<u>124</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>					
Covered Payroll	<u>164,986</u>	<u>141,927</u>	<u>138,125</u>	<u>142,075</u>	<u>117,978</u>	<u>118,527</u>	<u>89,099</u>
Contributions as a percentage of covered payroll	0.00%	0.18%	0.09%	0.07%	0.08%	0.08%	0.14%

A full 10 year schedule will be displayed as it becomes available.

**CITY OF MILES, TEXAS  
 ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION  
 TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
 ACTUARIAL VALUATIONS FOR DECEMBER 31, 2020 VALUATION DATE**

Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 year smoothed market 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% 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.

**CITY OF MILES, TEXAS**  
**SCHEDULE OF CHANGES IN NET OTHER POST EMPLOYMENT BENEFITS (OPEB)**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability (Asset)				
Service Cost	\$ 1,732	\$ 1,732	\$ 1,326	\$ 1,250
Interest (on total OPEB liability)	244	196	214	164
Differences between expected and actual experience	(1,539)	(1,492)	(2,444)	-
Change of assumptions and other inputs	<u>1,667</u>	<u>3,131</u>	<u>(471)</u>	<u>678</u>
Net Change in Total OPEB Liability	2,104	3,567	(1,375)	2,092
Total OPEB Liability- Beginning	<u>7,997</u>	<u>4,430</u>	<u>5,805</u>	<u>3,713</u>
Total OPEB Liability- Ending (a)	<u>\$ 10,101</u>	<u>\$ 7,997</u>	<u>\$ 4,430</u>	<u>\$ 5,805</u>
Covered Employee Payroll	164,986	141,927	138,125	142,075
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	6.12%	5.63%	3.21%	4.09%

A full 10 year schedule will be displayed as it becomes available.