

**CITY OF LIBERTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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FINANCIAL SECTION

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SWAIM, BRENTS & ASSOCIATES, P.C.
2804 Jefferson Drive
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Liberty, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, 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.

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison and pension plan information on pages 3 through 11 and 50 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the supplemental schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the supplemental schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 14, 2022, on our consideration of the City of Liberty, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Swaim, Brents & Associates, P.C.

Swaim, Brents & Associates, P.C.
Liberty, Texas
February 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the City of Liberty, Texas (the City) presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

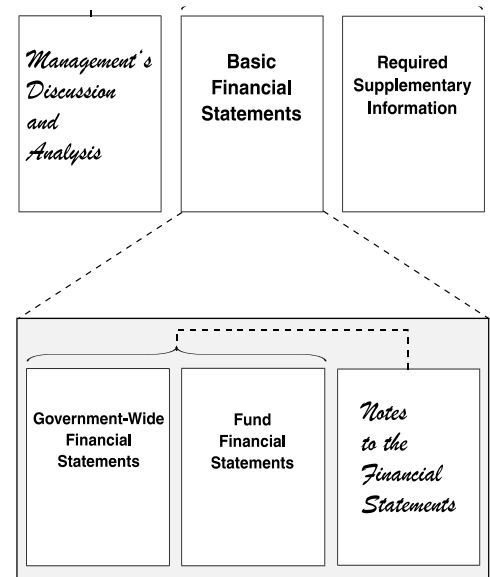
- The City's total combined net position was \$89.4 million at September 30, 2021, compared to \$79.4 million at September 30, 2020.
- Revenues for 2020 were \$32.2 million consistent with 2021. Charges for electrical services decreased \$2.0 million, primarily due to a single commercial customer. Other charges for services remained consistent with prior year. Property tax revenues increased \$0.2 million (4.1%) over 2020 and the City also received \$0.4 million in payments in lieu of taxes in 2021. Revenues include \$0.6 million in grants in operating grants which is 51% lower than in 2020. The capital grant revenues of \$3.7 million were also recognized in 2021. The City has certain projects underway and has a receivable from grantors for funding at September 30, 2021.
- During the year ended September 30, 2021, the City's total expenses were \$28.2 million compared to \$29.7 million in 2020. Governmental expenses in 2020 included \$0.3 million for disaster recovery expenses associated with storms and Covid-19. For 2021, the electrical fund expenses decreased \$1.6 million as a result of lower demand. Other proprietary fund expenses remained consistent with 2020.
- During 2021, the City issued refunding bonds of \$6.74 million and partially refunding 3 other debt issuances in an effort to reduce financing costs for the City overall.
- The general fund reported a fund balance of \$4.4 million at September 30, 2021, compared to \$5.0 million in prior year.
- During 2021, the City continued with various construction projects, including sewer system and wastewater treatment plant improvements, electrical improvements and levee rehabilitation.
- As of September 30, 2021, the City has \$4.7 million in restricted cash. Cash restricted for debt service totaled \$2.9 million and \$0.5 million in restricted cash remained from the debt issuances to fund capital projects. During 2021, the City received \$1.2 million in American Rescue Grant funding. It is reflected as restricted cash and unearned revenue at yearend, as the amount has not been utilized.
- During 2021, the City received \$6.0 million from SRMPA for Cambridge Project net profits, consistent with 2020. This is presented as a special item in the electric fund.
- During 2020, Liberty Community Development Corporation (LCDC) funded municipal golf course improvements of \$0.3 million, and various smaller capital expenditures of the City.

OVERVIEW OF THE FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements. Additionally, the City implemented GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The statement amends the net asset reporting requirements of GASB Statement No. 34 by incorporating deferred inflows and outflows of resources into the required components of the residual measure and renaming that measure as net position. The basic financial statements of the City include (a) Management's Discussion and Analysis, (b) Government-wide Financial Statements, (c) Fund Financial Statements, (d) Notes to Financial Statements; and (e) Required Supplementary Information. The basis of presentation and the basis of accounting for the government-wide and fund financial statements is discussed below:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.

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



- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities in the government that operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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

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

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

Type of Statements	Government-wide Entire City's government (except fiduciary funds) and the City's component units	Governmental Funds The activities of the City that are not proprietary or fiduciary	Fund Statements Proprietary Funds Activities the City operates similar to private businesses & self insurance	Fiduciary Funds Instances in which the City is the trustee or agent for someone else's resources
Scope				
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

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

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes and other taxes finance most of these activities.

The government-wide financial statements of the City also include the *Business-type activities* such as electric services, water and wastewater services, and solid waste services. These services are financed through user charges.

Fund Financial Statements

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

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

The City has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position was \$89.4 million at September 30, 2021, compared to \$79.4 million at September 30, 2020. (See Table A-1).

Table A-1
City's Net Position
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentag Change
	2021	2020	2021	2020	2021	2020	2021-2020
Assets:							
Cash and Investments	\$8,333.9	\$7,056.6	\$23,038.7	\$22,865.5	\$31,372.6	\$29,922.1	4.8%
Cash and Investments - Restricted	4,166.7	4,461.1	548.4	2,387.2	4,715.1	6,848.3	-31.1%
Accounts Receivable	16.4	10.7	1,288.5	1,476.5	1,304.9	1,487.2	-12.3%
Taxes Receivable, Net	721.3	1,029.2	-	-	721.3	1,029.2	-29.9%
Due from State/Federal							
Agencies	4,721.1	1,499.8	-	-	4,721.1	1,499.8	214.8%
Due from Other							
Governments	1.4	0.6	359.2	359.2	360.6	359.8	0.2%
Prepaid Assets	-	-	-	-	-	-	-%
Inventory	83.5	56.1	450.3	390.6	533.8	446.7	19.5%
Internal Balances	(3,126.0)	357.4	3,126.1	(357.4)	0.1	-	-
Capital Assets, Net	43,212.3	36,485.5	28,504.7	28,531.3	71,717.0	65,016.8	10.3%
Total Assets	<u>58,130.6</u>	<u>50,957.0</u>	<u>57,315.9</u>	<u>55,652.9</u>	<u>115,446.5</u>	<u>106,609.9</u>	8.3%
Deferred Outflows of Resources	<u>968.8</u>	<u>1,185.6</u>	<u>176.1</u>	<u>209.2</u>	<u>1,144.9</u>	<u>1,394.8</u>	-17.9%
Liabilities:							
Accounts Payable	493.4	380.8	1,490.6	1,692.5	1,984.0	2,073.3	-4.3%
Customer Overpayments	-	-	29.1	36.2	29.1	36.2	19.6%
Payable from Restricted Assets	-	-	-	-	-	-	-%
Due to State/Federal							
Agencies	5.0	230.7	35.2	36.3	40.2	267.0	-84.9%
Accrued Interest Payable	37.5	35.8	0.4	7.4	37.9	43.2	-12.3%
Service Deposits	-	-	533.6	290.2	533.6	290.2	83.9%
Unearned Revenue	1,153.7	-	-	-	1,153.7	-	100.0%
Long-Term Liabilities:							
Due Within One Year	1,972.3	1,559.0	252.1	664.4	2,224.4	2,223.4	0.0%
Due in More Than One Year	18,921.8	17,617.8	1,456.2	4,957.1	20,378.0	22,574.9	-9.7%
Total Liabilities	<u>22,583.7</u>	<u>19,824.1</u>	<u>3,797.2</u>	<u>7,684.1</u>	<u>26,380.9</u>	<u>27,508.2</u>	-4.1%
Deferred Inflows of Resources	<u>733.1</u>	<u>992.7</u>	<u>117.1</u>	<u>153.5</u>	<u>850.2</u>	<u>1,146.2</u>	-25.8%
Net Position:							
Net Investment in Capital Assets	26,844.1	22,967.7	28,138.1	28,526.9	54,982.2	51,494.6	6.8%
Restricted for Debt Service	2,890.4	2,649.4	-	1,784.2	2,890.4	4,433.6	-34.8%
Restricted for Building Security and Technology	78.8	77.2	-	-	78.8	77.2	2.1%
Unrestricted	<u>5,969.3</u>	<u>5,631.5</u>	<u>25,439.6</u>	<u>17,713.4</u>	<u>31,408.9</u>	<u>23,344.9</u>	34.5%
Total Net Position	<u>\$35,782.6</u>	<u>\$31,325.8</u>	<u>\$53,577.7</u>	<u>\$48,024.5</u>	<u>\$89,360.3</u>	<u>\$79,350.3</u>	12.6%

As of September 30, 2021, the City had invested \$55.0 million in capital assets, net of related debt. Approximately \$2.9 million of the City's net position are restricted for debt service. Additionally, approximately \$0.5 million remains restricted for construction projects, but as the related debt is outstanding, there is no effect on net position. The remaining unrestricted net position of \$31.4 million represents resources available to fund the programs of the City next year.

As of September 30, 2020, the City had invested \$51.5 million in capital assets, net of related debt. Approximately \$4.4 million of the City's net position are restricted for debt service. Additionally, approximately \$2.3 million remains restricted for construction projects, but as the related debt is outstanding, there is no effect on net position. The remaining unrestricted net position of \$23.3 million represents resources available to fund the programs of the City next year.

Changes in Net Position

The City's total revenues for 2021 were \$32.2 million consistent with 2020. A significant portion, 61 percent, of the City's revenue comes from charges for services. (See Figure A-3.) Other revenue sources include property taxes (14 percent), sales tax (11 percent), and grants and contributions (13 percent). The total cost of all programs and services was \$28.2 million; 45 percent of these costs are electric services and 10 percent are for water and wastewater services. Police department expenses and fire department expenses each accounted for 10 percent of total expenses.

The City's total revenues for 2020 were \$32.2 million compared to \$33.0 million in 2019. A significant portion, 66 percent, of the City's revenue came from charges for services. Other revenue sources included property taxes (13 percent), sales tax (10 percent), and grants and contributions (4 percent). The total cost of all programs and services was \$29.7 million; 49 percent of these costs were for electric services, 10 percent were for water and wastewater services. Police department expenses and fire department expenses accounted for 9 percent of total expenses.

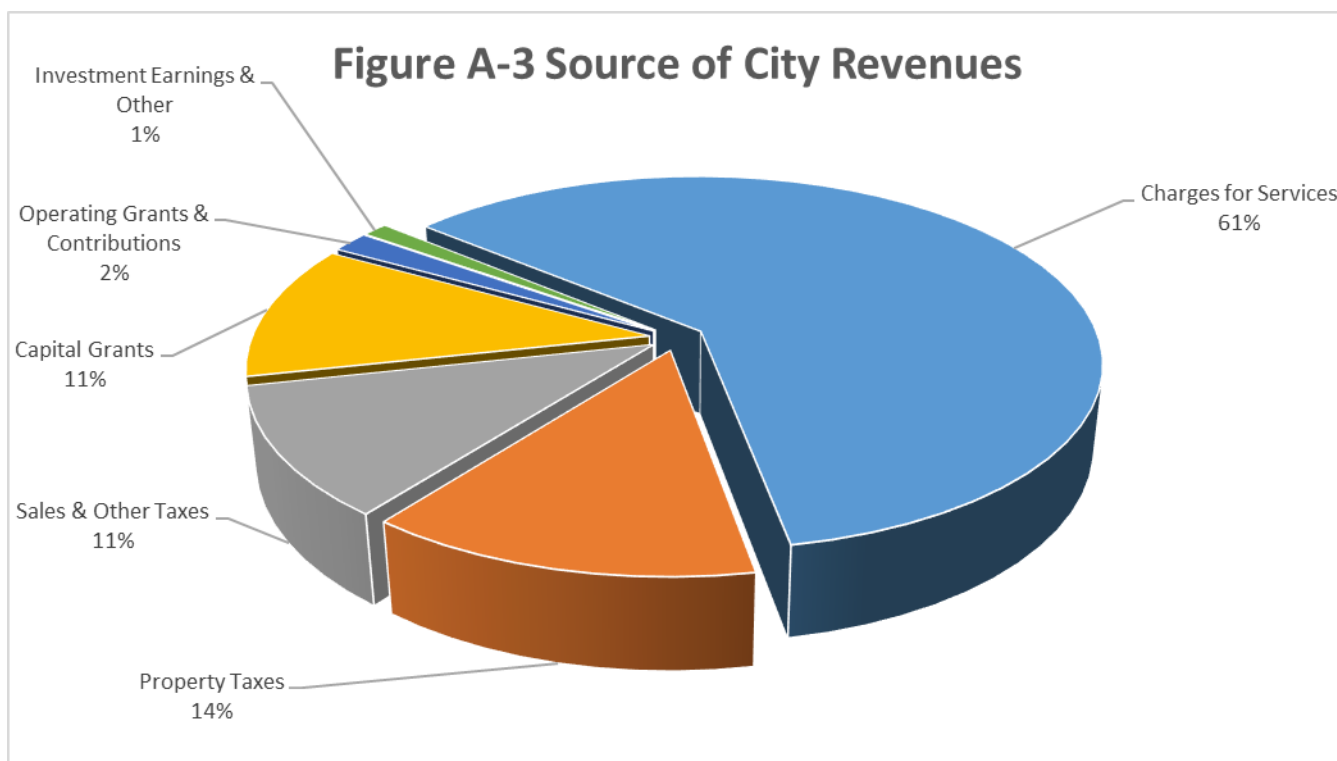


Table A-2
Changes in the City's Net Position
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2021-2020
	2021	2020	2021	2020	2021	2020	
Program Revenues:							
Charges for Services -							
Governmental Activities	\$1,713.8	\$1,736.	-	-	\$1,713.8	\$1,736.5	-1.3%
Electric	-	-	\$12,769.9	\$14,743.3	12,769.9	14,743.3	-13.4%
Water and Wastewater	-	-	4,069.7	3,777.8	4,069.7	3,777.8	7.7%
Garbage	-	-	774.5	759.7	774.5	759.7	1.9%
Operating Grants and Contributions	560.6	1,165.1	-	-	560.6	1,165.1	-51.9%
Capital Grants and Contributions	3,666.9	-	-	-	3,666.9	-	100.0%
General Revenues:							
Property Taxes	4,235.6	4,068.6	-	-	4,235.6	4,068.6	4.1%
Sales and Other Taxes	3,505.8	3,601.0	-	-	3,505.8	3,601.0	-2.6%
Payments in Lieu of Taxes	415.7	438.4	-	-	415.7	438.4	-5.2%
Gain/(Loss) on Sale of Assets	67.3	107.2	47.7	5.4	115.0	112.6	2.1%
Investment Earnings	118.3	124.6	198.7	226.9	317.0	351.5	-9.8%
Other	64.1	1,416.8	-	-	64.1	1,416.8	-95.5%
Total Revenues	14,348.1	12,658.	17,860.5	19,513.1	32,208.6	32,171.3	0.1%

Table A-2 (Continued)
Changes in the City's Net Position
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2021-2020
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	
Expenses by Functions/ Programs							
Administration Council	\$1,357.7	\$1,398.2	-	-	\$1,357.7	\$1,398.2	-2.9%
Business and Support							
Services	954.1	977.2	-	-	954.1	977.2	-2.4%
Economic Development	254.7	136.1	-	-	254.7	136.1	87.1%
Public Health and Safety:							
Fire/ Emergency Medical	2,757.9	2,788.5	-	-	2,757.9	2,788.5	-1.1%
Police and Court	2,782.7	2,692.7	-	-	2,782.7	2,692.7	3.3%
Animal Control	127.2	135.2	-	-	127.2	135.2	-5.9%
Library	571.0	569.1	-	-	571.0	569.1	0.3%
Streets and General	1,041.7	958.7	-	-	1,041.7	958.7	8.7%
Parks and Recreation	457.6	402.8	-	-	457.6	402.8	13.6%
Inspection Services	334.7	206.9	-	-	334.7	206.9	61.8%
Golf Course	518.7	476.0	-	-	518.7	476.0	9.0%
Airport Operations	492.3	355.9	-	-	492.3	355.9	38.3%
Disaster Recovery	38.3	323.3	-	-	38.3	323.3	-88.2%
Interest on Long-Term Debt	413.8	440.9	-	-	413.8	440.9	-6.1%
Bond Issuance Costs	154.5	-	-	-	154.5	-	100.0%
Electric	-	-	\$12,756.8	\$14,429.1	12,756.8	14,429.1	-11.6%
Water and Wastewater	-	-	2,613.5	2,904.6	2,613.5	2,904.6	-10.0%
Garbage	-	-	571.4	553.9	571.4	553.9	3.2%
Total Expenses	<u>12,256.9</u>	<u>11,861.5</u>	<u>15,941.7</u>	<u>17,887.6</u>	<u>28,198.6</u>	<u>29,749.1</u>	-5.2%
Change in Net Position Before Items & Transfers	2,091.2	796.7	1,918.8	1,625.5	4,010.0	2,422.2	65.6%
Special Items	-	-	6,000.0	6,000.0	6,000.0	6,000.0	0.0%
Transfers	<u>2,365.6</u>	<u>2,382.4</u>	<u>(2,365.6)</u>	<u>(2,382.4)</u>	<u>-</u>	<u>-</u>	0.0%
Change in Net Position	<u>4,456.8</u>	<u>3,179.1</u>	<u>5,553.2</u>	<u>5,243.1</u>	<u>10,010.0</u>	<u>8,422.2</u>	18.9%
Net Position – Beginning	<u>31,325.8</u>	<u>28,146.7</u>	<u>48,024.5</u>	<u>42,781.4</u>	<u>79,350.3</u>	<u>70,928.1</u>	11.9%
Net Position – Ending	<u>\$35,782.6</u>	<u>\$31,325.8</u>	<u>\$53,577.7</u>	<u>\$48,024.5</u>	<u>\$89,360.3</u>	<u>\$79,350.3</u>	12.6%

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$12.3 million.
- The amount that our taxpayers paid for these activities was \$4.2 million in property taxes and \$3.5 million in sales and other taxes.
- The remaining funding came primarily from charges for services (\$1.7 million) and transfers from business-type activities (\$2.4 million).

Table A-3
Net Cost of Selected Governmental-Type City Functions
(in thousands of dollars)

	Total Cost of Services			Net Cost of Services		
	<u>2021</u>	<u>2020</u>	<u>% Change 2021-2020</u>	<u>2021</u>	<u>2020</u>	<u>% Change 2021-2020</u>
Administration and City Council	\$1,357.7	\$1,398.2	-2.9%	\$1,326.9	\$1,353.1	-1.9%
Business and Support Services	954.1	977.2	-2.4%	954.1	977.2	-2.4%
Economic Development/Tourism	254.7	136.1	87.1%	236.9	128.7	84.1%
Public Health and Safety:						
Fire/ Emergency Medical	2,757.9	2,788.5	-1.1%	1,795.5	1,780.8	0.8%
Police and Municipal Court	2,782.7	2,692.8	3.3%	2,516.1	2,409.2	4.4%
Animal Control	127.2	135.2	-5.9%	125.5	133.8	-6.2%
Library	571.0	569.1	0.3%	553.0	550.2	0.5%
Streets and General Maintenance	1,041.7	958.7	8.7%	1,041.7	958.7	8.7%
Parks and Recreation	457.6	402.8	13.6%	445.4	398.4	11.8%
Inspection Services	334.7	206.9	61.8%	223.9	105.9	111.4%
Golf Course	518.7	476.0	9.0%	425.5	355.5	19.7%
Airport Operations	492.3	355.9	38.3%	(100.7)	53.4	-288.6%
Disaster Recovery	38.3	-	100.0%	(3,796.5)	(1,009.2)	276.2%
Interest on Long-Term Debt	413.8	440.9	-6.1%	413.8	440.9	-6.1%
Bond Issuance Costs	154.5	-	100.0%	154.5	-	100.0%
Total	<u>\$12,256.9</u>	<u>\$11,538.3</u>	6.2%	<u>\$6,315.6</u>	<u>\$8,636.6</u>	-26.9%

Business-type Activities

Revenues of the City's business-type activities decreased \$1.6 million from 2020 to \$17.9 million, and expenses decreased \$1.9 million to \$15.9 million compared to 2020. The electric fund had lower revenues and expenses due to change in power demand. The electric fund received \$6.0 million in nonoperating revenue from the Cambridge Project. Additionally, business-type activities transferred out \$2.4 million to governmental activities. Overall, net position increased \$5.6 million, a 6% increase over 2020.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$14.7 million for 2021. This was an increase of \$2.5 million over 2020. An increase in property taxes and grant revenues were the most significant changes in revenues. Expenditures for the governmental funds increased \$5.3 million primarily due to a \$4.8 million increase in capital expenditures between years.

General Fund Budgetary Highlights

The City revises its budget as needed to meet the needs of the City. General fund revenues and expenditures occurred as expected. General fund revenues were \$0.2 million (2%) higher than budgeted. Expenditures were lower than appropriated amounts by \$0.3 million (3%). Other financing sources from transfers from other funds were \$0.9 million lower than expected. Overall, the general fund ended the year with expenditures exceeding revenues by \$0.5 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the City had invested \$143.8 million in a broad range of capital assets, including land, equipment, buildings, vehicles, utility systems and infrastructure. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$9.0 million over the prior year.

Table A-4
City's Capital Assets
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2021-2020
	2021	2020	2021	2020	2021	2020	
Land	\$1,508.9	\$1,500.4	\$2.6	\$2.6	\$1,511.5	\$1,503.0	0.6%
Buildings and Improvements	14,279.0	14,226.6	849.5	849.5	15,128.5	15,076.1	0.3%
Construction in Progress	18,572.2	11,207.9	7,841.8	6,908.2	26,414.0	18,116.1	45.8%
Infrastructure	54,491.9	54,486.3	4,501.3	4,485.7	58,993.2	58,972.0	0.0%
Utility Systems	-	-	30,197.3	30,197.3	30,197.3	30,197.3	0.0%
Vehicles	3,713.3	3,556.9	353.7	408.9	4,067.0	3,965.8	2.6%
Furniture and Equipment	5,788.5	5,312.4	1,739.1	1,739.1	7,527.6	7,051.5	6.8%
Assets Held Under Capital Lease	-	-	-	-	-	-	0.0%
Totals at Historical Cost	98,353.8	90,290.5	45,485.3	44,591.3	143,839.1	134,881.8	6.6%
Total Accumulated Depreciation	(55,141.5)	(53,805.1)	(16,980.6)	(16,060.0)	(72,122.1)	(69,865.1)	3.2%
Net Capital Assets	<u>\$43,212.3</u>	<u>\$36,485.4</u>	<u>\$28,504.7</u>	<u>\$28,531.3</u>	<u>\$71,717.0</u>	<u>\$65,016.7</u>	10.3%

Long Term Debt

At yearend, the City had \$18.3 million in debt outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Bond Ratings

The City's bonds are presently rated "AA-" by Standard & Poor's Rating Services. LCDC's bonds are presently rated at "A-" by Standard & Poor's Rating Services.

Table A-5
City's Long Term Debt
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2021-2020
	2021	2020	2021	2020	2021	2020	
Refunding Bonds, 2020	\$6,655.0	-	-	-	\$6,655.0	-	100.0%
Bonds Payable, 2007 Series	-	-	-	\$3,675.0	-	\$3,675.0	-100.0%
Certificates of Obligation, 2016	6,080.0	\$6,410.0	-	-	6,080.0	6,410.0	-5.1%
Certificates of Obligation, 2010A	-	3,200.0	-	-	-	3,200.0	-100.0%
Certificates of Obligation, 2012	83.7	1,220.0	-	-	83.7	1,220.0	-93.1%
Refunding Bonds, 2012	845.0	1,115.0	-	-	845.0	1,115.0	-24.2%
Utility System Bonds 2016A	-	-	\$450.0	540.0	450.0	540.0	-16.7%
Utility System Bonds 2016B	-	-	465.0	555.0	465.0	555.0	-16.2%
LCDC Sales Tax Bonds	2,345.0	2,480.0	-	-	2,345.0	2,480.0	-5.4%
Bond Premium	1,041.1	394.7	-	-	1,041.1	394.7	163.8%
Bond Discount	-	-	(18.2)	(21.9)	(18.2)	(21.9)	-16.9%
LCDC Note Payable	359.4	380.4	-	-	359.4	380.4	-5.5%
Total Long Term Debt	<u>\$17,409.2</u>	<u>\$15,200.1</u>	<u>\$896.8</u>	<u>\$4,748.1</u>	<u>\$18,306.0</u>	<u>\$19,948.2</u>	-8.2%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property tax revenues for 2022 are expected to remain consistent with 2021. Tax rates are slightly higher than prior year. Overall general fund revenues are expected to be consistent with 2021 levels.
- General operating fund spending in the 2022 budget is expected to be \$10.2 million, a 2.8% decrease from budgeted amounts for 2021, but consistent with 2021 actual expenditures.

These indicators were taken into account when adopting the general fund budget for 2022. The 2022 budget is essentially a balanced budget. As a result fund balance in the general fund is expected to remain constant.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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CITY OF LIBERTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Investments	\$8,333,916	\$23,038,730	\$31,372,646
Cash and Investments – Restricted	4,166,710	548,382	4,715,092
Accounts Receivable, Net	16,428	1,288,533	1,304,961
Taxes Receivable, Net	721,321	-	721,321
Due From State	4,721,115	-	4,721,115
Due from Other Governments	1,434	359,222	360,656
Inventory	83,483	450,317	533,800
Internal Balances	(3,126,032)	3,126,032	-
Capital Assets, Net	43,212,280	28,504,690	71,716,970
TOTAL ASSETS	58,130,655	57,315,906	115,446,561
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Interest on Refunded Debt	39,087	-	39,087
Deferred Outflows Related to Pensions	929,722	176,101	1,105,823
TOTAL DEFERRED OUTFLOWS OF RESOURCES	968,809	176,101	1,144,910
<u>LIABILITIES</u>			
Accounts Payable	493,404	1,490,599	1,984,003
Customer Overpayments Payable	-	29,119	29,119
Due to State/Federal Agencies	5,000	35,225	40,225
Accrued Interest Payable	37,450	409	37,859
Service Deposits	-	533,549	533,549
Unearned Revenue	1,153,709	-	1,153,709
Long-term Liabilities:			
Due Within One Year	1,972,334	252,109	2,224,443
Due In More Than One Year	18,921,792	1,456,184	20,377,976
TOTAL LIABILITIES	22,583,689	3,797,194	26,380,883
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows Related to Pensions	733,144	117,108	850,252
TOTAL DEFERRED INFLOWS OF RESOURCES	733,144	117,108	850,252
<u>NET POSITION</u>			
Net Investment in Capital Assets	26,844,181	28,138,072	54,982,253
Restricted for Debt Service	2,890,352	-	2,890,352
Restricted for Building Security and Technology	78,786	-	78,786
Unrestricted	5,969,312	25,439,633	31,408,945
TOTAL NET POSITION	\$35,782,631	\$53,577,705	\$89,360,336

The accompanying notes are an integral part of this statement.

CITY OF LIBERTY, TEXAS

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

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Government Activities:				
Administration	\$1,357,732	\$30,586	\$230	-
Business and Support Services	954,064	-	-	-
Economic Development/Tourism	254,665	17,815	-	-
Public Health and Safety:				
Fire/EMS	2,757,943	866,998	95,494	-
Police	2,572,909	60,491	3,594	-
Municipal Court	209,769	201,974	463	-
Animal Control	127,239	200	1,550	-
Library	571,048	5,627	12,439	-
Streets	950,996	-	-	-
Maintenance	90,743	-	-	-
Parks and Recreation	457,589	9,645	2,500	-
Inspection Services	334,651	110,794	-	-
Airport Operations	492,334	316,565	276,517	-
Golf Course	518,663	93,138	-	-
Disaster Recovery	38,274	-	167,854	\$3,666,922
Interest on Long-term Debt	413,821	-	-	-
Bond Issuance Costs	154,513	-	-	-
Total Governmental Activities	12,256,953	1,713,833	560,641	3,666,922
Business-Type Activities:				
Electric	12,756,842	12,769,954	-	-
Water and Wastewater	2,613,464	4,069,687	-	-
Solid Waste	571,400	774,473	-	-
Total Business-Type Activities	15,941,706	17,614,114	-	-
Totals	\$28,198,659	\$19,327,947	\$560,641	\$3,666,922

General Revenues
Property Taxes Levied For:
General Purposes
Debt Service
Sales Tax
Other Taxes
Payments in Lieu of Taxes
Gain/loss on Sale of Assets
Miscellaneous Income
Investment Income
Total General Revenues

Special Items
Transfers

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

The accompanying notes are an integral part of this statement.

<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$(1,326,916)	-	\$(1,326,916)
(954,064)	-	(954,064)
(236,850)	-	(236,850)
(1,795,451)	-	(1,795,451)
(2,508,824)	-	(2,508,824)
(7,332)	-	(7,332)
(125,489)	-	(125,489)
(552,982)	-	(552,982)
(950,996)	-	(950,996)
(90,743)	-	(90,743)
(445,444)	-	(445,444)
(223,857)	-	(223,857)
100,748	-	100,748
(425,525)	-	(425,525)
3,796,502	-	3,796,502
(413,821)	-	(413,821)
(154,513)	-	(154,513)
<u>(6,315,557)</u>	<u>-</u>	<u>(6,315,557)</u>
-	\$13,112	13,112
-	1,456,223	1,456,223
-	203,073	203,073
<u>-</u>	<u>1,672,408</u>	<u>1,672,408</u>
<u>(6,315,557)</u>	<u>1,672,408</u>	<u>(4,643,149)</u>
2,779,535	-	2,779,535
1,456,021	-	1,456,021
3,266,693	-	3,266,693
239,065	-	239,065
415,700	-	415,700
67,277	47,701	114,978
64,082	-	64,082
118,320	198,777	317,097
<u>8,406,693</u>	<u>246,478</u>	<u>8,653,171</u>
-	6,000,000	6,000,000
<u>2,365,648</u>	<u>(2,365,648)</u>	<u>-</u>
4,456,784	5,553,238	10,010,022
<u>31,325,847</u>	<u>48,024,467</u>	<u>79,350,314</u>
<u>\$35,782,631</u>	<u>\$53,577,705</u>	<u>\$89,360,336</u>

CITY OF LIBERTY, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Liberty Community Development Corporation	Debt Service Funds	
			City of Liberty	LCDC
<u>ASSETS</u>				
Cash and Investments	\$3,352,960	\$2,494,555	-	-
Cash and Investments – Restricted	78,786	-	\$2,585,473	\$310,036
Accounts Receivable, Net	16,428	-	-	-
Taxes Receivable – Delinquent	625,023	-	632,634	-
Less: Allowance for Uncollectible Taxes	(266,545)	-	(269,791)	-
Due from State/Federal Agencies	514,600	180,636	-	-
Due from Other Governments	1,434	-	-	-
Inventory	80,311	-	-	-
Interfund Receivable	560,902	-	10,673	-
TOTAL ASSETS	4,963,899	2,675,191	2,958,989	310,036
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$4,963,899	\$2,675,191	\$2,958,989	\$310,036
<u>LIABILITIES</u>				
Accounts Payable	\$165,203	\$17,012	-	-
Due to State/Federal Agencies	-	-	-	-
Unearned Revenue	-	-	-	-
Interfund Payable	33,168	36,800	-	-
TOTAL LIABILITIES	198,371	53,812	-	-
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Taxes Revenue	317,955	-	\$341,223	-
TOTAL DEFERRED INFLOWS OF RESOURCES	317,955	-	341,223	-
<u>FUND BALANCES</u>				
Restricted Fund Balances:				
Debt Service	-	-	2,617,766	\$310,036
Capital Projects	-	-	-	-
Building Security and Technology	78,786	-	-	-
Committed Fund Balance	92,129	2,621,379	-	-
Assigned	989,892	-	-	-
Unassigned	3,286,766	-	-	-
TOTAL FUND BALANCES	4,447,573	2,621,379	2,617,766	310,036
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$4,963,899	\$2,675,191	\$2,958,989	\$310,036

The accompanying notes are an integral part of this statement.

<u>Capital Projects Fund</u>	<u>HMPG Flood Wall & Levee</u>	<u>American Rescue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$1,627,738	-	-	\$858,663	\$8,333,916
-	-	\$1,153,709	38,706	4,166,710
-	-	-	-	16,428
-	-	-	-	1,257,657
-	-	-	-	(536,336)
-	\$3,890,167	-	135,712	4,721,115
-	-	-	-	1,434
-	-	-	3,172	83,483
36,800	-	-	6,291	614,666
1,664,538	3,890,167	1,153,709	1,042,544	18,659,073
-	-	-	-	-
\$1,664,538	\$3,890,167	\$1,153,709	\$1,042,544	\$18,659,073
\$98,886	\$53,713	-	\$158,590	\$493,404
-	-	-	5,000	5,000
-	-	\$1,153,709	-	1,153,709
-	3,670,598	-	132	3,740,698
98,886	3,724,311	1,153,709	163,722	5,392,811
-	-	-	-	659,178
-	-	-	-	659,178
-	-	-	-	2,927,802
-	-	-	-	-
-	-	-	-	78,786
1,565,652	165,856	-	878,822	5,323,838
-	-	-	-	989,892
-	-	-	-	3,286,766
1,565,652	165,856	-	878,822	12,607,084
\$1,664,538	\$3,890,167	\$1,153,709	\$1,042,544	\$18,659,073

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CITY OF LIBERTY, TEXAS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2021

TOTAL GOVERNMENTAL FUND BALANCES	\$12,607,084
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	43,212,280
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	659,178
Payables for debt principal which was not due in the current period are not reported in the funds.	(16,368,098)
Payables for debt interest which are not due in the current period are not reported in the funds.	(37,450)
The premium paid for bond issuance is income in the funds when incurred but are deferred and amortized in the SNP.	(1,041,058)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(456,738)
Liability for pension obligation is not reported in the funds.	(3,028,232)
Deferred outflows and inflows of resources related to pensions are not reported in the funds.	196,578
Interest on advance refunding of debt is expensed in the funds but deferred and amortized in the SNP.	<u>39,087</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$35,782,631</u></u>

The accompanying notes are an integral part of this statement.

CITY OF LIBERTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	General	Liberty Community Development Corporation	Debt Service Funds	
			City of Liberty	LCDC
REVENUES:				
Ad Valorem Taxes	\$3,013,702	-	\$1,578,686	-
Sales Tax	2,177,800	\$1,088,893	-	-
Other Taxes	185,875	-	-	-
Payments in Lieu of Taxes	415,700	-	-	-
Fines & Forfeitures	201,514	-	-	-
Investment Income	23,838	27,651	25,901	\$3,094
Licenses, Fees & Rents	1,024,310	-	-	-
Intergovernmental Transfers & Grants	96,206	-	-	-
Donations	5,720	-	-	-
Sale of Assets	70,522	-	-	-
Other Revenues & Receipts	127,055	-	-	-
TOTAL REVENUES	7,342,242	1,116,544	1,604,587	3,094
EXPENDITURES:				
Administration	1,338,752	-	-	-
Business & Support Services	973,404	-	-	-
Economic Development / Tourism	-	243,945	-	-
Public Health & Safety:				
Fire/EMS	2,416,245	-	-	-
Police	2,413,698	-	-	-
Municipal Court	206,650	-	-	-
Animal Control	130,142	-	-	-
Library	472,569	-	-	-
Streets	764,802	-	-	-
Maintenance	92,356	-	-	-
Parks & Recreation	356,406	-	-	-
Inspection Services	326,512	-	-	-
Airport Operations	-	-	-	-
Golf Course	-	-	-	-
Disaster Recovery	15,169	-	-	-
Capital Expenditures	736,662	-	-	-
Debt Service: Principal	-	21,015	1,036,275	135,000
Interest & Fees	-	14,833	395,269	94,713
TOTAL EXPENDITURES	10,243,367	279,793	1,431,544	229,713
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(2,901,125)	836,751	173,043	(226,619)
OTHER FINANCING SOURCES (USES):				
Proceeds from Issuance of Debt	-	-	6,740,000	-
Premium on Debt Issuance	-	-	751,966	-
Bond Issuance Costs	-	-	(154,513)	-
Refunding of Debt	-	-	(3,985,000)	-
Operating Transfers In	2,475,337	-	-	229,713
Operating Transfers Out	(129,546)	(985,911)	(3,286,037)	-
TOTAL OTHER FINANCING SOURCES (USES)	2,345,791	(985,911)	66,416	229,713
Net Change In Fund Balances	(555,334)	(149,160)	239,459	3,094
Fund Balances, Beginning of Year	5,002,907	2,770,539	2,378,307	306,942
Fund Balances, End of Year	\$4,447,573	\$2,621,379	\$2,617,766	\$310,036

The accompanying notes are an integral part of this statement.

<u>Capital Projects Fund</u>	<u>HMPG Flood Wall & Levee</u>	<u>American Rescue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	-	-	-	\$4,592,388
-	-	-	-	3,266,693
-	-	-	\$53,190	239,065
-	-	-	-	415,700
-	-	-	16	201,530
-	-	-	37,836	118,320
-	-	-	91,144	1,115,454
-	\$3,666,922	\$230	394,371	4,157,729
-	-	-	61,614	67,334
-	-	-	-	70,522
-	-	-	336,374	463,429
-	3,666,922	230	974,545	14,708,164
-	-	230	270	1,339,252
-	-	-	-	973,404
-	-	-	867	244,812
-	-	-	-	2,416,245
-	-	-	5,002	2,418,700
-	-	-	-	206,650
-	-	-	-	130,142
-	-	-	20,615	493,184
-	-	-	-	764,802
-	-	-	-	92,356
-	-	-	-	356,406
-	-	-	-	326,512
-	-	-	352,034	352,034
-	-	-	462,465	462,465
-	-	-	23,105	38,274
\$2,033,405	4,889,229	-	691,595	8,350,891
-	-	-	-	1,192,290
-	-	-	-	504,815
2,033,405	4,889,229	230	1,555,953	20,663,234
(2,033,405)	(1,222,307)	-	(581,408)	(5,955,070)
-	-	-	-	6,740,000
-	-	-	-	751,966
-	-	-	-	(154,513)
-	-	-	-	(3,985,000)
3,444,248	1,388,163	-	630,153	8,167,614
-	-	-	(1,400,472)	(5,801,966)
3,444,248	1,388,163	-	(770,319)	5,718,101
1,410,843	165,856	-	(1,351,727)	(236,969)
154,809	-	-	2,230,549	12,844,053
\$1,565,652	\$165,856	\$-	\$878,822	\$12,607,084

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

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$(236,969)
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	8,350,891
Gain on disposition of capital assets in the SOA is not reported in the funds.	67,277
Proceeds on disposition	(70,522)
The depreciation of capital assets used in the governmental activities are not reported in the funds.	(1,620,819)
Proceeds on issuance of debt	(6,740,000)
Refunding of debt	3,985,000
Interest paid for advance refunding of bonds is expensed in the funds but is deferred and amortized in the SNP. This is the change in amounts this year.	(13,029)
Premium received with bond issuance is revenue in the Funds, but is deferred and amortized in the SNP. This is the change in these amounts this year.	(646,347)
Certain property taxes are deferred inflows in the funds. This is the change in these amounts this year.	(356,832)
Interest is not expensed until paid in the funds but is expensed when incurred in the SOA. This is the change in these amounts this year.	(1,596)
Payables for compensated absences which were not due in the current period are not reported in the funds. This is the change in these amounts this year.	(3,761)
Repayment of debt principal is an expenditure in the funds but is not an expense in the SOA.	1,192,290
Change in net pension obligation and deferred outflows and inflows related to pensions are not reported as expenses in the SOA.	<u>551,201</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$4,456,784</u></u>

The accompanying notes are an integral part of this statement.

CITY OF LIBERTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities – Enterprise Funds			
	Electric	Water and Wastewater	Solid Waste	Total
<u>ASSETS</u>				
<u>CURRENT ASSETS:</u>				
Cash and Investments	\$19,425,356	\$3,507,971	\$105,403	\$23,038,730
Cash and Investments – Restricted	-	548,382	-	548,382
Accounts Receivable, Net	994,531	237,840	56,162	1,288,533
Inventory	293,344	156,973	-	450,317
Due from Other Governments	-	359,222	-	359,222
Due from Other Funds	3,670,598	16,204	-	3,686,802
TOTAL CURRENT ASSETS	24,383,829	4,826,592	161,565	29,371,986
Property, Plant and Equipment	15,690,406	29,794,925	-	45,485,331
Less: Allowance For Depreciation	(4,775,459)	(12,205,182)	-	(16,980,641)
Net Property, Plant and Equipment	10,914,947	17,589,743	-	28,504,690
TOTAL ASSETS	35,298,776	22,416,335	161,565	57,876,676
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows Related to Pensions	65,352	110,749	-	176,101
TOTAL DEFERRED OUTFLOWS OF RESOURCES	65,352	110,749	-	176,101
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts Payable	1,380,549	66,968	43,082	1,490,599
Customer Overpayments Payable	29,119	-	-	29,119
Due to State/Federal Agencies	29,819	-	5,406	35,225
Due to Other Funds	455,277	105,493	-	560,770
Accrued Interest Payable	-	409	-	409
Service Deposits	496,076	37,348	125	533,549
Current Maturities of Long-term Liabilities	17,643	234,466	-	252,109
TOTAL CURRENT LIABILITIES	2,408,483	444,684	48,613	2,901,780
Long-term Liabilities, net of Current Portion	321,801	1,134,383	-	1,456,184
TOTAL LIABILITIES	2,730,284	1,579,067	48,613	4,357,964
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflows Related to Pensions	48,855	68,253	-	117,108
TOTAL DEFERRED INFLOWS OF RESOURCES	48,855	68,253	-	117,108
<u>NET POSITION</u>				
Net Investment in Capital Assets	10,914,947	17,223,125	-	28,138,072
Unrestricted (Deficit)	21,670,042	3,656,639	112,952	25,439,633
TOTAL NET POSITION	\$32,584,989	\$20,879,764	\$112,952	\$53,577,705

The accompanying notes are an integral part of this statement.

CITY OF LIBERTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities – Enterprise Funds			
	<u>Electric</u>	<u>Water and Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>				
Charges for Services, Net	\$12,769,954	\$4,069,687	\$774,473	\$17,614,114
Investment Income	157,782	38,239	2,756	198,777
Grant Income	-	-	-	-
Other Income	-	-	-	-
TOTAL OPERATING REVENUES	12,927,736	4,107,926	777,229	17,812,891
<u>OPERATING EXPENSES:</u>				
Power Purchases	12,125,164	-	-	12,125,164
Purchased Power Rebate	(866,057)	-	-	(866,057)
Personnel Costs	256,380	647,300	-	903,680
Distribution Supplies and Contracts	3,300	106,506	571,400	681,206
Maintenance and Repairs	956,246	305,011	-	1,261,257
Other Charges and Services	116,467	630,479	-	746,946
Interest Expense	-	40,913	-	40,913
TOTAL OPERATING EXPENSES	12,591,500	1,730,209	571,400	14,893,109
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION	336,236	2,377,717	205,829	2,919,782
LESS: Depreciation and Amortization	(165,342)	(883,255)	-	(1,048,597)
NET OPERATING INCOME (LOSS)	170,894	1,494,462	205,829	1,871,185
<u>NONOPERATING REVENUES (EXPENSES):</u>				
SRMPA - Cambridge Distribution	6,000,000	-	-	6,000,000
Gain (Loss) on Sale of Assets	33,000	14,701	-	47,701
TOTAL NONOPERATING REVENUES (EXPENSES)	6,033,000	14,701	-	6,047,701
INCOME BEFORE TRANSFERS	6,203,894	1,509,163	205,829	7,918,886
Operating Transfers In	4,095	3,286,037	-	3,290,132
Operating Transfers Out	(4,307,074)	(1,077,206)	(271,500)	(5,655,780)
CHANGES IN NET POSITION	1,900,915	3,717,994	(65,671)	5,553,238
NET POSITION, BEGINNING OF YEAR	30,684,074	17,161,770	178,623	48,024,467
NET POSITION, END OF YEAR	\$32,584,989	\$20,879,764	\$112,952	\$53,577,705

The accompanying notes are an integral part of this statement.

CITY OF LIBERTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers
Cash Received from Suppliers for Rebate
Cash Paid to Suppliers for Goods and Services
Cash Paid to Employees for Services
NET CASH PROVIDED (USED) BY OPERATING
ACTIVITIES

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Transfers to General Fund
Operating Transfers - Other
NET CASH PROVIDED (USED) BY
NON-CAPITAL FINANCING ACTIVITIES

**CASH FLOWS FROM CAPITAL & RELATED
FINANCING ACTIVITIES**

Interest on Debt Paid
Principal Payments on Debts
Proceeds on Disposition of Assets
Acquisition of Capital Assets
NET CASH PROVIDED (USED) BY CAPITAL
AND RELATED FINANCING ACTIVITIES

CASH FLOWS FROM INVESTING ACTIVITIES

Cambridge Revenue
Interest on Cash and Investments
NET CASH PROVIDED (USED) BY INVESTING
ACTIVITIES

NET INCREASE (DECREASE) IN CASH
CASH & INVESTMENTS, BEGINNING OF YEAR
CASH & INVESTMENTS, END OF YEAR

Business-Type Activities – Enterprise Funds			
Electric	Water & Wastewater	Solid Waste	Total
\$13,193,904	\$4,071,033	\$773,414	\$18,038,351
866,057	-	-	866,057
(16,916,082)	(1,072,531)	(572,171)	(18,560,784)
(282,654)	(686,096)	-	(968,750)
(3,138,775)	2,312,406	201,243	(625,126)
(493,111)	(1,073,111)	(271,500)	(1,837,722)
(3,809,868)	3,281,942	-	(527,926)
(4,302,979)	2,208,831	(271,500)	(2,365,648)
-	(44,254)	-	(44,254)
-	(3,855,000)	-	(3,855,000)
33,000	14,701	-	47,701
(943,832)	(78,191)	-	(1,022,023)
(910,832)	(3,962,744)	-	(4,873,576)
6,000,000	-	-	6,000,000
157,782	38,239	2,756	198,777
6,157,782	38,239	2,756	6,198,777
(2,194,804)	596,732	(67,501)	(1,665,573)
21,620,160	3,459,621	172,904	25,252,685
\$19,425,356	\$4,056,353	\$105,403	\$23,587,112

The accompanying notes are an integral part of this statement.

CITY OF LIBERTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021

Reconciliation of Income before Transfers to Net Cash Provided (Used) by Operating Activities:

Income Before Transfers	\$6,203,894	\$1,509,163	\$205,829	\$7,918,886
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities -				
Depreciation and Amortization	165,342	883,255	-	1,048,597
Nonoperating Income	(6,000,000)	-	-	(6,000,000)
Investment Income	(157,782)	(38,239)	(2,756)	(198,777)
Gain on Sale of Assets	(33,000)	(14,701)	-	(47,701)
Interest Expense	-	40,913	-	40,913
(Increase) Decrease in:				
Accounts Receivable	188,751	208	(979)	187,980
Inventory	(3,216)	(56,460)	-	(59,676)
Due from Other Funds	(3,564,016)	(29,991)	-	(3,594,007)
Due from Other Governments	-	-	-	-
Prepaid Assets	-	-	-	-
Increase (Decrease) in:				
Accounts Payable	(229,448)	25,673	1,753	(202,022)
Customer Overpayments	(7,119)	-	-	(7,119)
Due to State/Federal Agencies	(827)	-	(273)	(1,100)
Due to Other Funds	82,602	30,243	(2,251)	110,594
Service Deposits	242,318	1,138	(80)	243,376
Compensated Absences Payable	(8,050)	15,797	-	7,747
Pension Items	(18,224)	(54,593)	-	(72,817)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$(3,138,775)</u></u>	<u><u>\$2,312,406</u></u>	<u><u>\$201,243</u></u>	<u><u>\$(625,126)</u></u>

The accompanying notes are an integral part of this statement.

CITY OF LIBERTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	Employees Pension Trust Fund
<u>ASSETS</u>	
Investments, at Fair Value:	
Growth & Income Fund	\$2,641
Money Market Fund	78
Bond Fund	244
Balanced Fund	1,265
Fixed Income Account	54,578
Foreign Equity Portfolio Fund	846
Equity – Income Portfolio Fund	2,487
Growth Portfolio Fund	<u>1,932</u>
TOTAL ASSETS	<u>\$64,071</u>
<u>NET POSITION</u>	
Net Position of Assets Held In Trust For Pension Benefits	<u>\$64,071</u>
TOTAL NET POSITION	<u>\$64,071</u>

The accompanying notes are an integral part of this statement.

CITY OF LIBERTY, TEXAS**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****YEAR ENDED SEPTEMBER 30, 2021**

	Employees Pension Trust Fund
<u>ADDITIONS:</u>	
Investment Income (Loss), Including Appreciation or Depreciation in Fair Value of Investments	<u>\$3,433</u>
TOTAL	<u>3,433</u>
<u>DEDUCTIONS:</u>	
Withdrawals	<u>-</u>
TOTAL	<u>-</u>
CHANGE IN NET POSITION	3,433
Net Position – Beginning of Year	<u>60,638</u>
Net Position – End of Year	<u><u>\$64,071</u></u>

The accompanying notes are an integral part of this statement.

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CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Liberty, Texas (the City) is a Home Rule City which operates under a City Charter adopted by the voters in 1958. The Charter provides for a Council – Manager form of government comprised of a mayor and six council members. It is the Council's responsibility to appoint a City Manager who is the chief administrative and executive officer of the City.

The City's major operations include public safety, fire protection, emergency medical services, parks and recreation, library, and general administrative services. Additionally, the City operates utility funds for the provision of utilities, including electric, water and wastewater, and solid waste services. The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

A. Reporting Entity –

For financial reporting purposes, the City includes all funds, agencies and boards that are controlled by or dependent on the City Council. Control or dependence is determined on the basis of control of the governing board, budget adoption, taxing authority, and responsibility for debts or deficits.

The accompanying financial statements include those of the City of Liberty (the primary government) and its component unit. The Liberty Community Development Corporation (the Corporation), an entity legally separate from the City, is a non-profit industrial development corporation whose purpose is to promote economic development within the City. The Corporation is governed by a seven-member board that is appointed by the City Council. The budget, policies and directives of the Corporation are subject to approval by the City Council. Therefore, the Corporation is reported as if it were part of the City's operations, and is included in the financial reporting entity as a blended component unit. Its financial activity is reported as a major special revenue fund, a debt service fund and a capital projects fund in the accompanying financial statements. There are no other entities that should be included in the City's reporting entity because of significant operational or financial relationships to the City.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation –

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.

Government-Wide Statements: The Statement of Net Position and the Statement of Activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed through user charges.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The Statement of Activities presents a comparison between direct expenses and program revenues 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 activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self financing or draws from the general revenues of the City.

Fund Financial Statements: Fund financial statements report detailed information about the City. Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental and proprietary fund financial statements is on the major funds rather than reporting funds by type. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Governmental Fund Types: All governmental funds are reported using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes receivable, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes are recorded and deferred until they become available. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. The funds included in this category are as follows:

General Fund – This fund is the general operating fund of the City and is used to account for resources and functions traditionally associated with governments that are not required to be accounted for in another fund.

Special Revenue Funds – These funds are established to account for the proceeds of specific revenue sources other than assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, all general obligation indebtedness not serviced by the proprietary funds.

Capital Projects Funds – These funds are used to account for all major capital expenditures not financed by the proprietary or trust funds.

Proprietary Fund Types: All proprietary funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. These funds account for operations that are primarily financed by user charges. Revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating expenses of the City's proprietary fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City's funds included in this category are the utility funds and an internal service fund. Utility funds are used to account for operations financed and operated in a manner similar to private business enterprises, where the intent of the Council is that the cost of providing certain goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges for those services. Utility funds for the City consist of the Electric Fund, Water and Wastewater Fund, and Solid Waste Fund.

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Fund Types: Fiduciary fund statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. These fund types account for assets held by the City as a trustee or agent for individuals, organizations, and other units of governments. The City currently has one fiduciary fund, the Pension Trust Fund. This fund was established to provide pension benefits for City employees. The principal revenue source for this fund is earnings from investments. The assets of this fund and results of operations have not been combined with other funds of the City in the accompanying financial statements. (See Note 9).

C. Use of Estimates –

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

D. Budgets and Budgetary Accounting –

Prior to September 30, of each year, the City adopts a budget for the fiscal year beginning October 1, of that year. The budget, which includes anticipated revenues and expenditures, is adopted for the Governmental Fund Types and all Proprietary Funds. The budget is amended by the Council as needed throughout the year.

E. Interfund Transactions and Balances –

Interfund transactions intended to reflect the transfer of resources between funds are reflected as transfers. Certain transactions representing short-term liabilities between funds are recorded as receivables and payables in the respective funds at the time the transactions are reported on the fund basis statements.

F. Cash and Investments -

For purposes of the Statement of Cash Flows, the City considers all certificates of deposit with a maturity of one year or less when issued to be cash equivalents. Cash deposits and certificates of deposit are reported at their carrying amount, which reasonably estimates fair value.

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value based on market indicators regarded as measures of equity or fixed income performance results. The city does not have investments valued at other than quoted market prices.

G. Restricted Cash and Investments–

As of September 30, 2021, the City had cash and investments restricted as follows:

	<u>Restricted</u>
Cash Restricted for Debt Service – City Governmental	\$2,585,473
Cash Restricted for Debt Service – LCDC Governmental	310,036
Cash from American Rescue Grant	1,153,709
Cash Restricted for Building Security & Technology	78,786
Cash from Police Preseizure	5,000
Cash from CDBG Harvey, Restricted for Recovery Projects	33,706
Cash from Bonds Payable, Series 2016 A, Restricted for Water and Wastewater Capital Projects	468,967
Cash from Bonds Payable, Series 2016 B, Restricted for Water and Wastewater Capital Projects	79,415
Total Restricted Cash	<u>\$4,715,092</u>

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Accounts Receivable –

Accounts receivable from electric, water and wastewater, and solid waste services are presented net of allowance for doubtful accounts of \$27,941 at September 30, 2021. The change in allowance from prior year has been netted against charges for service revenue.

I. Inventories –

The City does not maintain significant inventories of materials and supplies in the governmental fund types, except for street department materials. Inventories of materials and supplies are maintained for the proprietary funds. The inventory of each fund is recorded at cost (first-in, first-out basis), which is lower than market.

J. Capital Assets and Depreciation –

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets are being depreciated using the straight-line method and depreciation expense for governmental assets is specifically identified by function with general assets being allocated based on a percentage of governmental functional expenditures over total governmental expenditures.

Depreciation expense for the proprietary funds is recorded in each respective proprietary fund. The following estimated useful lives are used for calculating depreciation expense:

	<u>Depreciable Life</u>
Infrastructure	15-40
Building & improvements	15-40
System	15-40
Vehicles	5-7
Heavy equipment	5-10
Office equipment	3-5

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources –

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an addition to net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

L. Fund Balances –

Governmental Accounting Standards Board (GASB) Statement No. 54-*Fund Balance Reporting and Government Fund Type Definitions* establishes fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

In the fund financial statements, governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City Council through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the City Council. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in any other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

For the government-wide financial statements, net position are reported as restricted when constraints placed on net position are either: (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

M. Net Position –

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the city-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Retirement Plan –

During the fiscal year 2002 the City elected to terminate its defined contribution retirement plan and began contributing to a defined benefit retirement plan. All plan costs are funded by the City on a current basis. See additional information in Note 9.

O. Pensions –

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

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provisions –

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not applicable

B. Deficit Fund Balance or Fund Net Assets of Individual Funds –

Following are funds having deficit fund balances or fund net assets at year-end, if any, along with remarks that address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None		

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

A. Cash Deposits –

At September 30, 2021, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$28,886,046 and the bank balance was \$29,627,110. The City's cash deposits at September 30, 2021, and during the year ended September 30, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments –

The City is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments that are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and commercial paper.

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

<u>Investments</u>	
Certificates of Deposit	\$82,671
Money Market Funds:	
Ameriprise Insured Money Market	5,692,603
U. S. Treasuries:	
U. S. Treasury Bills	1,287,600
Mutual Funds:	
Franklin High Income	8,795
Franklin Income A	10,247
Federated Hermes High Income Bond Fund A	6,528
Equity Funds:	
American Funds Capital World Growth & Income	15,373
Franklin Templeton Rising Dividends A	21,552
Franklin Templeton Founding Allocation A	8,136
American Funds Washington Mutual A	16,719
American Funds New Perspective A	21,998
American Inc Fund America A	15,751
American Capital Income Builder A	13,719
	<u>\$7,201,692</u>

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

C. Analysis of Specific Deposit and Investment Risks –

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year-end and if so, the reporting of certain related disclosures:

1. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The following investments had the respective Morningstar Ratings (Morningstar 5 - highest to Morningstar 1 - lowest) at September 30, 2021.

At September 30, 2021, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

Investment	Credit Rating
Mutual Funds:	
Franklin Templeton Income A	Morningstar Rating 4
Franklin Templeton High Income	Morningstar Rating 4
Federated Hermes High Income Bond Fund A	Morningstar Rating 4
Equity Funds:	
American Funds Capital World Growth & Income	Morningstar Rating 3
Franklin Templeton Rising Dividends A	Morningstar Rating 4
Franklin Templeton Founding Allocation A	Morningstar Rating 1
American Funds Washington Mutual A	Morningstar Rating 4
American Funds New Perspective A	Morningstar Rating 5
American Inc Fund America A	Morningstar Rating 3
American Capital Income Builder A	Morningstar Rating 4

2. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year-end, the City was not exposed to custodial credit risk.

3. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the City was not exposed to concentration of credit risk.

4. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

5. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to foreign currency risk.

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4 – PROPERTY TAXES

Taxable property within the City is subject to assessment, levy and collection of ad valorem taxes necessary to provide for the payment of general obligation indebtedness, and to support the general governmental services provided. The City's Charter adopts the provisions of Article XI, Section 5 of the Texas Constitution, which limits the tax rate that the City can levy for all purposes to \$2.50 per \$100 valuation. The total tax rate for the fiscal year ended September 30, 2021 was \$0.5813 per \$100 assessed valuation based on the total net assessed value of \$742,685,276. This includes a debt service rate of \$0.1985 per \$100 assessed valuation and a maintenance and operations rate of \$0.3828 per \$100 assessed valuation.

Taxes are levied on October 1 of each year, and are payable without penalty or interest through the following January 31. The City recognizes property tax revenue when levied to the extent that it results in current receivables. Property taxes are collected and remitted to the City by the Liberty County Tax Assessor Collector's office.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes receivable of \$536,336 at September 30, 2021 are based on 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 5 – DUE TO/FROM OTHER FUNDS

As of September 30, 2021, interfund receivables and payables consisted of the following:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund-Fixed Asset Repl.	Electric Fund	\$219,544	Short term loan
General Fund-Fixed Asset Repl.	Water & Wastewater	105,493	Short term loan
General Fund	CDBG Harvey Recovery Fund	132	Short term loan
Capital Projects Fund	LCDC	36,800	Short term loan
Debt Service	General Fund	10,673	Tax collection
Golf Course Fund	General Fund	1,751	Short term loan
Public Educ & Govmt Cable Fund	General Fund	4,540	Short term loan
Electric Fund	General Fund	235,733	Short term loan
Electric Fund	HMPG Flood Wall & Levee	3,670,598	Short term loan
Water & Wastewater	General Fund	16,204	Short term loan
		<u>\$4,301,468</u>	

All amounts due are scheduled to be repaid within one year.

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6 – TRANSFERS BETWEEN FUNDS

Transfers between funds during 2021 consisted of the following:

<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>	<u>Amount</u>
General Fund	Electric Fund	\$493,111
General Fund	Electric Fund (Cambridge)	466,515
General Fund	Water & Wastewater Fund	1,073,111
General Fund	Solid Waste Fund	271,500
General Fund	LCDC Fund	171,100
	Total	<u>\$2,475,337</u>
LCDC Debt Service Fund	LCDC Fund	<u>\$229,713</u>
Golf Course Fund	LCDC Fund	<u>\$390,873</u>
Capital Projects Fund	LCDC Fund	\$96,800
Capital Projects Fund	Electric Fund (Cambridge)	3,347,448
		<u>\$3,444,248</u>
Library Memorial Fund	Municipal Library Trust	<u>\$12,309</u>
HMPG Flood Wall & Levee	Capital Projects Fund (CO 2016)	<u>\$1,388,163</u>
Electric	Water & Wastewater Fund	<u>\$4,095</u>
Water & Wastewater Fund	Debt Service Fund	<u>\$3,286,037</u>
Airport Fund	LCDC Fund	<u>\$97,425</u>
Public Education & Govt Fund	General Fund	<u>\$129,546</u>

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

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

	Beginning Balances	Increases	Decreases & Transfers	Ending Balances
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$1,500,440	\$8,500	-	\$1,508,940
Construction in Progress	11,207,850	7,364,350	-	18,572,200
Total Capital Assets Not Being Depreciated	<u>12,708,290</u>	<u>7,372,850</u>	<u>-</u>	<u>20,081,140</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Improvements	14,226,571	52,395	-	14,278,966
Infrastructure	54,486,323	5,603	-	54,491,926
Vehicles	3,556,923	367,841	\$(211,453)	3,713,311
Furniture and Equipment	5,312,438	552,202	(76,131)	5,788,509
Total Capital Assets Being Depreciated	<u>77,582,255</u>	<u>978,041</u>	<u>(287,584)</u>	<u>78,272,712</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	7,601,013	340,483	-	7,941,496
Infrastructure	40,887,765	377,594	-	41,265,359
Vehicles	1,780,693	406,313	(211,453)	1,975,553
Furniture and Equipment	3,535,621	496,429	(72,886)	3,959,164
Total Accumulated Depreciation	<u>53,805,092</u>	<u>1,620,819</u>	<u>(284,339)</u>	<u>55,141,572</u>
Total Capital Assets Being Depreciated, Net	<u>23,777,163</u>	<u>(642,778)</u>	<u>(3,245)</u>	<u>23,131,140</u>
Governmental Activities Capital Assets, Net	<u>\$36,485,453</u>	<u>\$6,730,072</u>	<u>\$(3,245)</u>	<u>\$43,212,280</u>

Depreciation was charged to functional expenditures as follows:

Governmental Activities:	
Administration	\$58,631
Business and Support Services	39,179
Economic Development	9,853
Fire /EMS	475,297
Police	292,721
Municipal Court	8,753
Animal Control	5,238
Library	101,701
Streets	242,795
Maintenance	16,774
Parks & Recreation	128,535
Inspection Services	22,878
Airport Operations	140,300
Golf	78,164
Total Depreciation Expense	<u>\$1,620,819</u>

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT (Continued)

	Beginning Balances	Increases	Decreases & Transfers	Ending Balances
<i>Business-Type Activities:</i>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$2,568	-	-	\$2,568
Construction in Progress	6,908,185	\$933,655	-	7,841,840
Total Capital Assets Not Being Depreciated	6,910,753	933,655	-	7,844,408
<i>Capital Assets Being Depreciated:</i>				
Buildings and Improvements	849,482	-	-	849,482
System Improvements	30,197,327	-	-	30,197,327
Vehicles	408,902	72,776	\$(127,984)	353,694
Furniture and Equipment	1,739,117	-	-	1,739,117
Infrastructure	4,485,713	15,591	-	4,501,304
Total Capital Assets Being Depreciated	37,680,541	88,367	(127,984)	37,640,924
Less Accumulated Depreciation for:				
Buildings and Improvements	239,630	20,454	-	260,084
System Improvements	14,007,812	651,245	-	14,659,057
Vehicles	431,151	53,822	(127,984)	356,989
Furniture and Equipment	1,381,436	323,076	-	1,704,512
Total Accumulated Depreciation	16,060,029	1,048,597	(127,984)	16,980,642
Total Capital Assets Being Depreciated, Net	21,620,512	(960,230)	-	20,660,282
Business-type Activities Capital Assets, Net	\$28,531,265	\$(26,575)	\$-	\$28,504,690

Depreciation was charged to functional expenditures as follows:

Business-type Activities	
Water & Wastewater	\$883,255
Electric	165,342
Total Depreciation Expense	<u>\$1,048,597</u>

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2021 was as follows:

	Rate	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due in One Year
<u>Governmental Activities:</u>						
Bonds:						
General Obligation Refunding Bonds, Series 2020 (Maturing 3/1/2032)	2.0-4.0%	-	\$6,740,000	\$(85,000)	\$6,655,000	\$650,000
Certificates of Obligation, Series 2010A (Maturing 3/1/2030)	2.0-4.0%	\$3,200,000	-	(3,200,000)	-	-
Tax & Revenue Certificates Of Obligation, Series 2012 (Maturing 3/1/2032)	2.0-4.0%	1,220,000	-	(1,136,275)	83,725	83,725
General Obligation Refunding Bonds, Series 2012 (Maturing 3/1/24)	2.0-2.5%	1,115,000	-	(270,000)	845,000	275,000
LCDC Sales Tax Bonds, Series 2014 (Maturing 3/1/2034)	3.0-4.0%	2,480,000	-	(135,000)	2,345,000	145,000
Certificates of Obligation, Series 2016 (Maturing 3/1/2036)	2.0-3.0%	6,410,000	-	(330,000)	6,080,000	340,000
Bond Premium		394,711	751,966	(105,619)	1,041,058	-
Total Bonds		14,819,711	7,491,966	(5,261,894)	17,049,783	1,493,725
LCDC Note Payable	4.0%	380,388	-	(21,015)	359,373	21,871
Other Liabilities:						
Compensated Absences		452,977	298,153	(294,392)	456,738	456,738
Net Pension Liability		3,523,692	-	(495,460)	3,028,232	-
Total Governmental Activities		\$19,176,768	\$7,790,119	\$(6,072,761)	\$20,894,126	\$1,972,334
<u>Business-type Activities:</u>						
Bonds:						
Tax & Revenue Certificates of Obligation, Series 2007 (Maturing 3/1/28)	1.9- 2.55%	\$3,675,000	-	\$(3,675,000)	-	-
Utility System Revenue Bonds, Series 2016A (Maturing 3/1/26)	0.0- 0.94%	540,000	-	(90,000)	\$450,000	\$90,000
Utility System Revenue Bonds, Series 2016B (Maturing 3/1/26)	0.0- 0.89%	555,000	-	(90,000)	465,000	90,000
Bond Discount		(21,888)	-	3,648	(18,240)	-
		4,748,112	-	(3,851,352)	896,760	180,000
Other Liabilities:						
Compensated Absences		64,362	\$39,769	(32,022)	72,109	72,109
Net Pension Liability		808,954	-	(69,530)	739,424	-
Total Business-type Activities		\$5,621,428	\$39,769	\$(3,952,904)	\$1,708,293	\$252,109

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – LONG TERM LIABILITIES (CONTINUED)

Governmental Activity Bonds and Certificates of Obligation

General obligation bonds and certificates are serviced by the debt service fund. The amount of long-term debt that can be incurred by the City is not limited by state statute or the City's Home Rule Charter. The only limitation would be the overall tax rate limitation of \$2.50 per \$100 assessed valuation. Bond covenants for the general obligation bonds and certificates of obligation require the City to levy a tax sufficient to pay the current interest and principal of the debt. During the current year, the City was in compliance with these bond covenants. Principal and interest requirements to retire the City's general long-term bonds and certificates of obligation are as follows as of September 30, 2021:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2022	\$1,348,725	\$402,443	\$1,751,168
2023	1,400,000	392,980	1,792,980
2024	1,445,000	338,505	1,783,505
2025	1,200,000	284,930	1,484,930
2026	1,245,000	238,205	1,483,205
2027-2031	4,720,000	650,117	5,370,117
2032-2036	2,305,000	126,050	2,431,050
Total	<u>\$13,663,725</u>	<u>\$2,433,230</u>	<u>\$16,096,955</u>

In December, 2020, the City issued \$6.74 million in General Obligation Refunding Bonds. The bonds were issued to effect a partial refunding of Certificates of Obligation, Series 2010A and Certificates of Obligation, Series 2012. Additionally, proceeds from the debt issuance were transferred to the Water and Wastewater Fund in order to partially refund the Certificates of Obligation, Series 2007.

In October, 2012, the City issued \$2.7 million General Obligation Refunding Bonds, Series 2012. The bonds were issued to effect an advance refunding of a substantial portion of the Certificates of Obligation, Series 2004. The proceeds from the issuance were placed with a trustee such that funds would be available to pay the debt on the refunding date. As such, the debt is considered defeased and is no longer considered a liability of the City. In accordance with GASB Statement No. 65, the amount placed with the trustee that represents interest on the refunded debt has been deferred in the governmental activities statement of net position and amortized to expense over the term of the new debt issued.

In April, 2012, the City issued \$1.75 million Tax and Revenue Certificates of Obligation, Series 2012. The funds will be utilized to construct, improve and equip certain municipal buildings including the police station, cultural center and public works. The bonds are to be paid from a tax levy on appraised property in the city. The bonds are further secured by surplus revenues of the water and sewer system of the City.

In September, 2010, the City issued General Obligation Refunding Bonds, Series 2010 of \$3.1 million and refunded both the Tax Anticipation Notes of \$975 thousand that had been issued earlier in the year and the General Obligation Refunding Bonds, Series 1998. The interest rate on the Series 2010 bonds is lower than both of the debt issuances that were refunded. Additionally, in September, 2010, the City issued Certificates of Obligation, Series 2010A of \$4.7 million. The purpose of the Series 2010A issuance is to provide funding for the various capital needs of the City.

In October, 2016, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2016 of \$7.655 million. The funds will be utilized to construct, improve and repair various fixed assets of the City. The bonds are to be paid from a tax levy on appraised property in the City. The bonds are further secured by surplus revenues of the water and sewer system of the City.

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – LONG TERM LIABILITIES (CONTINUED)

In March, 2014, the LCDC issued Sales Tax Revenue Bonds, Series 2014 of \$3.215 million for a street construction project within the City of Liberty. The bonds will be paid from the one-half cent sales tax collected each year. Principal and interest requirements to retire LCDC's long-term bonds are as follows as of September 30, 2021:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2022	\$145,000	\$88,613	\$233,613
2023	150,000	83,275	233,275
2024	155,000	78,319	233,319
2025	160,000	73,000	233,000
2026	165,000	67,313	232,313
2027-2031	920,000	233,125	1,153,125
2032-2034	650,000	42,075	692,075
Total	<u>\$2,345,000</u>	<u>\$665,720</u>	<u>\$3,010,720</u>

Governmental Activities Notes Payable

During July, 2014, LCDC financed the purchase of a fire truck for the City of Liberty by issuing a note payable through Houston Galveston Area Council on Governments. The note will be paid back utilizing sales tax revenue of LCDC. The future debt service requirements on the note are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2022	\$21,872	\$13,977	\$35,849
2023	22,762	13,086	35,848
2024	23,690	12,158	35,848
2025	24,655	11,193	35,848
2026	25,660	10,189	35,849
2027-2031	144,858	34,384	179,242
2032-2034	95,876	5,696	101,572
Total	<u>\$359,373</u>	<u>\$100,683</u>	<u>\$460,056</u>

Business-type Activities Bonds and Certificates of Obligation

The City also has debt obligations in the proprietary funds. That debt will be paid from the net revenues of the utility systems. Principal and interest requirements to retire the proprietary funds debt obligations are as follows:

<u>Water & Wastewater Fund</u>			
<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2022	\$180,000	\$4,975	\$184,975
2023	180,000	4,543	184,543
2024	185,000	3,674	188,674
2025	185,000	2,408	187,408
2026	185,000	846	185,846
Total	<u>\$915,000</u>	<u>\$16,446</u>	<u>\$931,446</u>

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – LONG TERM LIABILITIES (CONTINUED)

In April, 2016, the City issued Utility System Revenue Bonds of \$1.8 million. The Utility System Revenue Bonds, Series 2016A (\$900,000) and Series 2016B (\$915,000) were issued to fund improvements to the wastewater and water systems of the City, respectfully. The bonds will be paid from the revenues of the utility system. The remaining net proceeds from the debt issuance is reflected as restricted cash as of September 30, 2021.

Compensated Absences

City employees are entitled to certain compensated absences based on the length of their employment. Sick leave may be carried from one year to the next year. Employees with more than five years of service with the City will be paid for unused sick leave upon separation of employment. The amount of leave is based on their length of service with the maximum amount paid between 20 days and 60 days. Compensation for vacation time may be carried from one year to the next year. Employees will be paid for unused vacation time up to two times their annual vacation days upon separation of employment. Unused accrued vacation in excess of these days will not be reimbursed. Additionally, employees can accumulate up to 40 hours per year in compensation time to be used as time off from work. Accrued compensated absences at September 30, 2021, were \$528,847.

NOTE 9 – RETIREMENT PLANS

A. Employee Pension Plan –

Substantially all full time employees of the City of Liberty were covered by the City of Liberty Employee Pension Plan, a qualified defined contribution retirement plan. During fiscal year 2002, the City terminated the plan. The plan was established by action of the City Council, and the City acts as plan administrator. The City funded all costs on a current basis through contributions equal to 10% of the qualifying gross salary of participating employees. No employee contributions were required for participation. The City did not incur any costs under the plan for the year ended September 30, 2021. Additionally, the City has no unfunded liabilities to the plan. Employees' interest are vested at the rate of 10% per year for the first four years of employment, and 20% per year for the next three years of employment, with 100% vesting after seven years. Due to the plan termination during 2002, the participants were allowed to rollover their vested amounts upon termination of the plan. A separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position are presented in the accompanying financial statements.

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9 – RETIREMENT PLANS (CONTINUED)

B. TMRS Pension Plan –

1. Description of Plan –

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. The TMRS 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.

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

2. Benefits Provided –

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

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

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

Deposit rate:	7%
Matching Ratio (City to Employee):	2 to 1
Vesting Period:	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibility for the City, expressed as Age/ Years of Service is: "60/5, any age/20."

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

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	131
Active employees	<u>104</u>
	<u>288</u>

3. Contributions –

Under 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 of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.53% and 17.83% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$915,687 and were equal to the required contributions.

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9 – RETIREMENT PLANS (CONTINUED)

4. Net Pension Liability –

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

Actuarial Assumptions

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

<u>Actuarial Assumptions</u>	
	<u>12/31/20</u>
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Inflation	2.50%
Overall payroll growth	1.95%

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

The actuarial assumptions were developed primarily from the actuarial investigation of experience of TMRS over a four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In connection with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9 – RETIREMENT PLANS (CONTINUED)

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

Discount Rate

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

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance at 12/31/2019	\$17,084,758	\$12,752,112	\$4,332,646
Changes for the year:			
Service cost	664,751	-	664,751
Interest	1,145,698	-	1,145,698
Change in benefit terms	-	-	-
Difference between expected and actual experience	(91,483)	-	(91,483)
Changes in assumptions	-	-	-
Contributions – employer	-	944,762	(944,762)
Contributions – employee	-	377,700	(377,700)
Net investment income	-	968,002	(968,002)
Benefit payments, including refunds of employee Contributions	(887,669)	(887,669)	-
Administrative expense	-	(6,263)	6,263
Other changes	-	(245)	245
Net changes	<u>831,297</u>	<u>1,396,287</u>	<u>(564,990)</u>
Balance at 12/31/2020	<u>\$17,916,055</u>	<u>\$14,148,399</u>	<u>\$3,767,656</u>

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9 – RETIREMENT PLANS (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$6,135,731	\$3,767,666	\$1,813,697

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$291,672. At yearend, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	-	\$(90,198)
Changes in actuarial assumptions	\$6,426	-
Difference between projected and actual investment earnings	404,361	(760,055)
Contributions subsequent to the measurement date	695,036	-
Total	<u>\$1,105,823</u>	<u>\$(850,252)</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$695,036 will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	Net Deferred Outflows (Inflows)
Year Ended September 30:	
2022	\$(174,325)
2023	(33,779)
2024	(209,916)
2025	(21,445)
Total	<u>\$(439,465)</u>

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9 – RETIREMENT PLANS (CONTINUED)

6. Deferred Compensation Plan –

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The group plan is basically available for all full-time employees on a strictly voluntary basis. No contributions are made by the City to this plan. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The plan is administered by Ing Life Insurance and Annuity Company. The plan assets are held in trust for the exclusive benefits of the participants and their beneficiaries. The plan assets are not included in the financial statements of the City.

NOTE 10 – ELECTRIC SYSTEM

The City owns and operates a municipal electric distribution system for the benefit of its citizens. The electric distribution system consists of distribution lines, two substations (which are owned and operated by Sam Rayburn Municipal Power Agency) and interconnected transmission lines of Entergy Gulf States, which supply power to the City's system. The City furnishes electric service to its customers solely within its City limits.

The City is one of three voting members (consisting of the Cities of Liberty, Livingston, and Jasper, Texas) of the Sam Rayburn Municipal Power Agency (SRMPA). The SRMPA is a political subdivision of the State of Texas and is governed by a board of six directors, two of which are appointed by each member city.

SRMPA was formed to undertake the planning, financing, development, acquisition and operation of projects for the generation and transmission of electric power to supply the present and future needs of the member cities and the Vinton (Louisiana) Public Power Agency (the Participants). Each Participant is required by contract with SRMPA, to purchase its electrical requirements from SRMPA, and to pay liabilities under such contract as an operating and maintenance expense to its electrical system. An integral part of the bond indenture for long-term debt of SRMPA, are covenants that SRMPA will establish rates for electric power to the Participants sufficient to pay all debt service requirements (including funding of required reserves), all operating and maintenance costs of repairs and improvements. The City, as a Participant, is required to establish rates to its customers sufficient to meet its obligations to SRMPA under the exclusive power sales contract. As a result of SRMPA restructuring its debts, the City continued to receive a rebate on power costs due to overfunded debt service accounts of \$866,057 during 2021. This rebate is being used to defray the cost of purchased power. (See special item discussion in Note 15)

NOTE 11 – LIBERTY COMMUNITY DEVELOPMENT CORPORATION

As indicated in Note 1, the Liberty Community Development Corporation (LCDC) is a non-profit industrial development corporation whose purpose is to promote economic development within the City of Liberty. Due to the control and financial dependence exerted by the City over the Corporation, that entity is considered a component unit of the City for financial reporting purposes, and its financial activity is included in the accompanying financial statements as a special revenue fund. The Corporation is funded by a one-half (1/2) cent sales tax which became effective as of October 1995. During 2014, LCDC issued \$3.2 million of sales tax revenue bonds for a street construction project. The accompanying financial statements include an LCDC debt service fund associated with the bonds. During 2021, LCDC funded municipal golf course improvements of \$0.4 million, and funded various smaller capital expenditures of the City.

NOTE 12 – JOINT OPERATING AGREEMENT, PORT OF LIBERTY

Commencing in 1968, the City of Liberty entered into a joint operating agreement with the Chambers-Liberty Counties Navigation District (the District) which established certain terms with respect to the operation of the Port of Liberty (the Port). The Port facilities were constructed on land owned jointly by the City and the District, and the board of commissioners of the Port are appointed jointly by the City and the District, but neither entity can unilaterally appoint a majority of the board. The board of the Port is responsible for selection of management, development of a budget, and for continuing operations of the Port. The City does not account for revenues or expenditures for Port activities. The Port of Liberty has separate audited financial statements which may be obtained by contacting Port officials.

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 13 – INTERGOVERNMENTAL REVENUES AND GRANTS

The City recognized funding from federal and state programs as well as private grants as follows:

General Fund:	
County Fire Aid	\$25,000
Division of Emergency Management - Emergency Management	
Performance Grant	19,422
Indigent Defense Fee	463
Police – LEOSE	1,924
Fire- LEOSE	792
East Texas Gulf Coast Reg Trauma	33,110
Texas A&M Forest Service Grants	14,670
Library Grants	825
Total General Fund	<u>\$96,206</u>
Special Revenue Funds:	
American Rescure Grant	\$230
CDBG – Harvey Recovery	167,854
HMPG – Floodwall and Levee Grant	3,666,922
Airport – TX DOT Ramp Grant and Other	226,517
Total Special Revenue Funds	<u>\$4,061,523</u>

The City received \$1.15 million in American Rescue Grant funding. This funding was an advance from the federal government. As the amount has not yet been expended, the funding is reflected as unearned revenue on the financial statements at September 30, 2021.

NOTE 14 – RISK MANAGEMENT AND CONTINGENCIES

The City is exposed to various risks of losses related to torts; theft, damage, or destruction of assets; errors and omission; injuries to employees or others; and natural disasters. The City's primary risk management activity is to maintain various types of insurance coverage to cover any significant losses that might be incurred.

The City is contingently liable with respect to claims or litigation arising from the ordinary course of operations. The settlement of such claims would require budget appropriations of future revenues. City officials have asserted that they have no significant pending or threatened litigation, or claims against the City that would have a material adverse effect on the financial position of the City. Federal and State funds received during the current year and prior years through various grant programs are subject to audit by the applicable agencies. The City does not anticipate any substantial disallowance of project costs for any of the projects.

During March 2020, the Coronavirus 19 (COVID-19) was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries were severely impacted for months. The City continues to carefully monitor the situation and evaluate its options during this event. The President of the United States, and the Governor of Texas have issued numerous executive orders relating to COVID-19 including imposed limitations on social gatherings and established occupancy limits for businesses. Possible financial impacts from Covid-19 include reduction of taxes collected (sales & property), decline in utility system collections, decline in economic growth, and lowering of property values. As of September 30, 2021, the City has not experienced a negative financial impact from the pandemic.

CITY OF LIBERTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 15 – SPECIAL ITEMS

As discussed in Note 10, the City is a member of SRMPA for electrical power purposes. In 2012, SRMPA entered into supplemental agreements to sell excess electrical capacity to third parties. Such agreements were named the “Cambridge Project” and the activities are not commingled with the normal operation of SRMPA. During 2021, the City received \$6.0 million from SRMPA for Cambridge Project net profits.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LIBERTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL
AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	General Fund(A)			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Ad Valorem Taxes	\$2,754,000	\$2,754,000	\$3,013,702	\$259,702
Sales Tax	2,150,000	2,150,000	2,177,800	27,800
Other Taxes	210,000	210,000	185,875	(24,125)
Payments in Lieu of Taxes	400,000	400,000	415,700	15,700
Fines & Forfeitures	236,000	236,000	201,514	(34,486)
Investment Income	15,000	15,000	23,838	8,838
Licenses, Fees, & Rents	1,196,200	1,196,200	1,024,310	(171,890)
Intergovernmental Transfers & Grants	58,300	58,300	96,206	37,906
Other Revenues & Receipts	152,000	152,000	203,297	51,297
TOTAL REVENUES	7,171,500	7,171,500	7,342,242	170,742
EXPENDITURES:				
Administration & City Council	1,367,867	1,385,372	1,338,752	46,620
Business & Support Services	1,009,718	1,009,718	973,404	36,314
Economic Development/Tourism	-	-	-	-
Public Health & Safety:				
Fire	2,886,792	2,952,247	2,416,245	536,002
Police	2,531,508	2,531,508	2,413,698	117,810
Municipal Court	217,747	217,747	206,650	11,097
Animal Control	162,214	162,214	130,142	32,072
Library	502,270	502,270	472,569	29,701
Streets	1,013,226	1,013,226	764,802	248,424
Maintenance	101,959	101,959	92,356	9,603
Parks & Recreation	342,258	380,258	356,406	23,852
Inspection Services	272,463	272,463	326,512	(54,049)
Capital Expenditures(B)	500,000	-	736,662	(736,662)
Disaster Recovery	-	-	15,169	(15,169)
Debt Service	-	-	-	-
TOTAL EXPENDITURES	10,908,022	10,528,982	10,243,367	285,615
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(3,736,522)	(3,357,482)	(2,901,125)	456,357
OTHER FINANCING SOURCES:				
Proceeds from Issuance of Debt	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Bond Issuance Costs	-	-	-	-
Refunding of Debt	-	-	-	-
Transfers from Other Funds	3,236,522	3,357,482	2,475,337	(882,145)
Transfers to Other Funds	-	-	(129,546)	(129,546)
TOTAL OTHER FINANCING SOURCES	3,236,522	3,357,482	2,345,791	(1,011,691)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES	(500,000)	-	(555,334)	(555,334)
FUND BALANCES, BEGINNING OF YEAR	5,002,907	5,002,907	5,002,907	-
FUND BALANCES, END OF YEAR	\$4,502,907	\$5,002,907	\$4,447,573	\$(555,334)

- (A) General Fund Budgetary information includes Fixed Asset Replacement Fund
(B) Additional capital expenditures are budgeted by department
(C) LCDC Budgetary information includes LCDC debt service

The accompanying Independent Auditor's Report should be read with this additional information.

Liberty Community Development Corporation(C)				Debt Service			
Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
-	-	-	-	\$1,293,000	\$1,293,000	\$1,578,686	\$285,686
\$1,000,000	\$1,000,000	\$1,088,893	\$88,893	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
16,500	16,500	30,745	14,245	14,000	14,000	25,901	11,901
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,016,500	1,016,500	1,119,638	103,138	1,307,000	1,307,000	1,604,587	297,587
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
347,650	552,150	243,945	308,205	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
235,750	235,750	265,561	(29,811)	1,288,581	812,801	1,431,544	(618,743)
583,400	787,900	509,506	278,394	1,288,581	812,801	1,431,544	(618,743)
433,100	228,600	610,132	381,532	18,419	494,199	173,043	(321,156)
-	-	-	-	-	475,780	6,740,000	6,264,220
-	-	-	-	-	-	751,966	751,966
-	-	-	-	-	-	(154,513)	(154,513)
-	-	-	-	-	-	(3,985,000)	(3,985,000)
261,730	559,873	-	(559,873)	-	-	-	-
(694,830)	(788,473)	(756,198)	32,275	-	-	(3,286,037)	(3,286,037)
(433,100)	(228,600)	(756,198)	(527,598)	-	475,780	66,416	(409,364)
-	-	(146,066)	(146,066)	18,419	969,979	239,459	(730,520)
3,077,481	3,077,481	3,077,481	-	2,378,307	2,378,307	2,378,307	-
\$3,077,481	\$3,077,481	\$2,931,415	\$(146,066)	\$2,396,726	\$3,348,286	\$2,617,766	\$(730,520)

CITY OF LIBERTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL
AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	Capital Projects(A)			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Ad Valorem Taxes	-	-	-	-
Sales Tax	-	-	-	-
Other Taxes	-	-	-	-
Payments in Lieu of Taxes	-	-	-	-
Fines & Forfeitures	-	-	-	-
Investment Income	-	-	-	-
Licenses, Fees, & Rents	-	-	-	-
Intergovernmental Transfers & Grants	-	-	-	-
Other Revenues & Receipts	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES:				
Administration & City Council	-	-	-	-
Business & Support Services	-	-	-	-
Economic Development/Tourism	-	-	-	-
Public Health & Safety:				
Fire	-	-	-	-
Police	-	-	-	-
Municipal Court	-	-	-	-
Animal Control	-	-	-	-
Library	-	-	-	-
Streets	-	-	-	-
Maintenance	-	-	-	-
Parks & Recreation	-	-	-	-
Inspection Services	-	-	-	-
Capital Expenditures	-	-	\$2,033,405	\$(2,033,405)
Disaster Recovery	-	-	-	-
Debt Service	-	-	-	-
TOTAL EXPENDITURES	-	-	2,033,405	(2,033,405)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	-	(2,033,405)	(2,033,405)
OTHER FINANCING SOURCES:				
Proceeds from Issuance of Debt	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Bond Issuance Costs	-	-	-	-
Refunding of Debt	-	-	-	-
Transfers from Other Funds	-	-	3,444,248	3,444,248
Transfers to Other Funds	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	3,444,248	3,444,248
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES	-	-	1,410,843	1,410,843
FUND BALANCES, BEGINNING OF YEAR	-	-	154,809	154,809
FUND BALANCES, END OF YEAR	-	-	\$1,565,652	\$1,565,652

(A) The Capital Projects Fund was funded with the proceeds from the Certificates of Obligation, 2016 issuance. No additional sources of funding are budgeted.

The accompanying Independent Auditor's Report should be read with this additional information.

CITY OF LIBERTY, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
TEXAS MUNICIPAL RETIREMENT SYSTEM
YEAR ENDED SEPTEMBER 30, 2021**

	2020	2019	2018	2017	2016
Total Pension Liability					
Service Cost	\$664,751	\$608,445	\$554,261	\$555,605	\$520,691
Interest (on the Total Pension Liability)	1,145,698	1,083,968	1,036,711	991,341	935,272
Changes of Benefit Terms	-	-	-	-	-
Difference Between Expected and Actual Experience	(91,483)	(59,406)	(272,717)	(242,896)	(76,539)
Change of Assumptions	-	17,800	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(887,669)	(641,213)	(649,270)	(613,204)	(519,266)
Net Change in Total Pension Liability	831,297	1,009,594	668,985	690,846	860,158
Total Pension Liability – Beginning	17,084,758	16,075,164	15,406,179	14,715,333	13,855,175
Total Pension Liability – Ending (a)	<u>17,916,055</u>	<u>\$17,084,758</u>	<u>\$16,075,164</u>	<u>\$15,406,179</u>	<u>\$14,715,333</u>
Plan Fiduciary Net Position					
Contributions – Employer	\$944,762	\$877,584	\$832,343	\$837,384	\$735,499
Contributions – Employee	377,700	343,754	310,635	311,887	290,194
Net Investment Income	968,002	1,631,316	(310,700)	1,197,456	515,312
Benefit Payments, Including Refunds of Employee Contributions	(887,669)	(641,213)	(649,270)	(613,204)	(519,266)
Administrative Expense	(6,263)	(9,216)	(6,005)	(6,210)	(5,824)
Other	(245)	(276)	(315)	(315)	(314)
Net Change in Plan Fiduciary Net Position	1,396,287	2,201,949	176,688	1,726,998	1,015,601
Plan Fiduciary Net Position – Beginning	12,752,112	10,550,163	10,373,475	8,646,477	7,630,876
Plan Fiduciary Net Position – Ending (b)	<u>\$14,148,399</u>	<u>\$12,752,112</u>	<u>\$10,550,163</u>	<u>\$10,373,475</u>	<u>\$8,646,477</u>
Net Pension Liability – Ending (a) – (b)	<u>\$3,767,656</u>	<u>\$4,332,646</u>	<u>\$5,525,001</u>	<u>\$5,032,704</u>	<u>\$6,068,856</u>
Plan Fiduciary Net Position as a Percentage of					
Total Pension Liability	<u>78.97%</u>	<u>74.64%</u>	<u>65.63%</u>	<u>67.33%</u>	<u>58.76%</u>
Covered Employee Payroll	<u>\$5,395,709</u>	<u>\$4,910,776</u>	<u>\$4,437,636</u>	<u>\$4,455,530</u>	<u>\$4,145,627</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	<u>69.83%</u>	<u>88.23%</u>	<u>124.50%</u>	<u>112.95%</u>	<u>146.39%</u>

The accompanying Independent Auditor's Report should be read with this additional information.

CITY OF LIBERTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
TEXAS MUNICIPAL RETIREMENT SYSTEM
YEAR ENDED SEPTEMBER 30, 2021

	2015	2014
Total Pension Liability		
Service Cost	\$517,416	\$318,408
Interest (on the Total Pension Liability)	863,571	780,406
Changes of Benefit Terms	-	4,030,494
Difference Between Expected and Actual Experience	53,707	325,260
Change of Assumptions	530,215	-
Benefit Payments, Including Refunds of Employee Contributions	(375,511)	(295,510)
Net Change in Total Pension Liability	1,589,398	5,159,058
Total Pension Liability – Beginning	12,265,777	7,106,719
Total Pension Liability – Ending (a)	<u>\$13,855,175</u>	<u>\$12,265,777</u>
Plan Fiduciary Net Position		
Contributions – Employer	\$732,389	\$201,943
Contributions – Employee	304,618	204,251
Net Investment Income	10,273	371,202
Benefit Payments, Including Refunds of Employee Contributions	(375,511)	(295,510)
Administrative Expense	(6,261)	(3,875)
Other	(308)	(319)
Net Change in Plan Fiduciary Net Position	665,200	477,692
Plan Fiduciary Net Position – Beginning	6,965,676	6,487,984
Plan Fiduciary Net Position – Ending (b)	<u>\$7,630,876</u>	<u>\$6,965,676</u>
Net Pension Liability – Ending (a) – (b)	<u>\$6,224,299</u>	<u>\$5,300,101</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>55.08%</u>	<u>56.79%</u>
Covered Employee Payroll	<u>\$4,351,691</u>	<u>\$4,085,010</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	<u>143.03%</u>	<u>129.75%</u>

The accompanying Independent Auditor's Report should be read with this additional information.

CITY OF LIBERTY, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS -
TEXAS MUNICIPAL RETIREMENT SYSTEM
YEAR ENDED SEPTEMBER 30, 2021

	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
Actuarially Determined Contribution	\$915,687	\$935,280	\$861,152	\$830,396	\$819,924
Contributions in Relation to the Actuarially Determined Contribution	<u>915,687</u>	<u>935,280</u>	<u>861,152</u>	<u>830,396</u>	<u>819,924</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Employee Payroll	<u>\$5,453,720</u>	<u>\$5,335,230</u>	<u>\$4,762,279</u>	<u>\$4,426,509</u>	<u>\$4,419,225</u>
Contributions as a Percentage of Covered Employee Payroll	<u>16.79%</u>	<u>17.53%</u>	<u>18.08%</u>	<u>18.76%</u>	<u>18.55%</u>

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January thirteen months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
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.
males	Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for
fully	and the General Employee table used for females. The rates are projected on a generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

The accompanying Independent Auditor's Report should be read with this additional information.

CITY OF LIBERTY, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS -
TEXAS MUNICIPAL RETIREMENT SYSTEM
YEAR ENDED SEPTEMBER 30, 2021

	<u>9/30/2016</u>	<u>9/30/2015</u>
Actuarially Determined Contribution	\$744,092	\$605,241
Contributions in Relation to the Actuarially Determined Contribution	<u>744,092</u>	<u>605,241</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>
Covered Employee Payroll	<u>\$4,253,975</u>	<u>\$4,424,680</u>
Contributions as a Percentage of Covered Employee Payroll	<u>17.49%</u>	<u>13.68%</u>

The accompanying Independent Auditor's Report should be read with this additional information.

SUPPLEMENTAL SECTION

CITY OF LIBERTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Police Seizure Fund	Airport Fund	Hotel-Motel/ Tourism Fund	Golf Course Fund	CDBG Harvey Recovery Fund
<u>ASSETS</u>					
Cash and Investments	\$45,364	\$177,699	\$86,301	\$52,166	-
Cash and Investments - Restricted	-	-	-	-	\$33,706
Due from State	-	-	-	-	135,712
Inventory	-	-	-	3,172	-
Interfund Receivable	-	-	-	1,751	-
TOTAL ASSETS	45,364	177,699	86,301	57,089	169,418
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	-	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$45,364	\$177,699	\$86,301	\$57,089	\$169,418
<u>LIABILITIES</u>					
Accounts Payable	-	\$18,657	-	\$4,221	\$135,712
Due to State	-	-	-	-	-
Interfund Payable	-	-	-	-	132
TOTAL LIABILITIES	-	18,657	-	4,221	135,844
<u>DEFERRED INFLOWS OF RESOURCES</u>	-	-	-	-	-
<u>FUND BALANCES</u>					
Restricted- Capital Projects	-	-	-	-	-
Committed Fund Balances	\$45,364	159,042	\$86,301	52,868	33,574
TOTAL FUND BALANCES	45,364	159,042	86,301	52,868	33,574
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$45,364	\$177,699	\$86,301	\$57,089	\$169,418

The accompanying Independent Auditor's Report should be read with this additional information.

Municipal Library Trust	Library Memorial Fund	Capital Projects Fund (CO 2016)	Public Educ & Government Cable Fund	Police Preseizure Fund	Total Nonmajor Special Revenue Funds
\$299,376	\$53,585	\$996	\$143,176	-	\$858,663
-	-	-	-	\$5,000	38,706
-	-	-	-	-	135,712
-	-	-	-	-	3,172
-	-	-	4,540	-	6,291
<u>299,376</u>	<u>53,585</u>	<u>996</u>	<u>147,716</u>	<u>5,000</u>	<u>1,042,544</u>
-	-	-	-	-	-
<u>\$299,376</u>	<u>\$53,585</u>	<u>\$996</u>	<u>\$147,716</u>	<u>\$5,000</u>	<u>\$1,042,544</u>
-	-	-	-	-	\$158,590
-	-	-	-	\$5,000	5,000
-	-	-	-	-	132
-	-	-	-	5,000	163,722
-	-	-	-	-	-
-	-	-	-	-	-
<u>299,376</u>	<u>53,585</u>	<u>996</u>	<u>147,716</u>	<u>-</u>	<u>878,822</u>
<u>299,376</u>	<u>53,585</u>	<u>996</u>	<u>147,716</u>	<u>-</u>	<u>878,822</u>
<u>\$299,376</u>	<u>\$53,585</u>	<u>\$996</u>	<u>\$147,716</u>	<u>\$5,000</u>	<u>\$1,042,544</u>

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

	Police Seizure Fund	Airport Fund	Hotel-Motel/ Tourism Fund	Golf Course Fund	CDBG Harvey Recovery Fund
<u>REVENUES:</u>					
Other Taxes	-	-	\$53,190	-	-
Forfeiture	\$16	-	-	-	-
Investment Income	509	-	-	-	-
Licenses, Fees & Rents	-	\$73,329	-	-	-
Intergovernmental Grants	-	226,517	-	-	\$167,854
Grants and Donations	-	50,000	-	-	-
Other Revenues & Receipts	-	243,236	-	\$93,138	-
TOTAL REVENUES	525	593,082	53,190	93,138	167,854
<u>EXPENDITURES:</u>					
Administration	-	-	-	-	-
Economic Development / Tourism	-	-	867	-	-
Public Health and Safety:					
Police	5,002	-	-	-	-
Library	-	-	-	-	-
Airport	-	352,034	-	-	-
Golf Course	-	-	-	462,465	-
Disaster Recovery	-	-	-	-	23,105
Capital Expenditure	-	238,280	-	11,600	139,211
TOTAL EXPENDITURES	5,002	590,314	867	474,065	162,316
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,477)	2,768	52,323	(380,927)	5,538
<u>OTHER FINANCING SOURCES (USES):</u>					
Operating Transfers In	-	97,425	-	390,873	-
Operating Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	97,425	-	390,873	-
Net Change in Fund Balance	(4,477)	100,193	52,323	9,946	5,538
Fund Balances, Beginning of Year	49,841	58,849	33,978	42,922	28,036
Fund Balances, End of Year	\$45,364	\$159,042	\$86,301	\$52,868	\$33,574

The accompanying Independent Auditor's Report should be read with this additional information.

Municipal Library Trust	Library Memorial Fund	Capital Projects Fund (CO 2016)	Public Educ & Government Cable Fund	Police Preseizure Fund	Total Nonmajor Special Revenue Funds
-	-	-	-	-	\$53,190
-	-	-	-	-	16
\$27,406	\$14	\$9,282	\$625	-	37,836
-	-	-	17,815	-	91,144
-	-	-	-	-	394,371
1,250	10,364	-	-	-	61,614
-	-	-	-	-	336,374
<u>28,656</u>	<u>10,378</u>	<u>9,282</u>	<u>18,440</u>	<u>-</u>	<u>974,545</u>
-	-	-	270	-	270
-	-	-	-	-	867
-	-	-	-	-	5,002
598	20,017	-	-	-	20,615
-	-	-	-	-	352,034
-	-	-	-	-	462,465
-	-	-	-	-	23,105
-	-	302,504	-	-	691,595
<u>598</u>	<u>20,017</u>	<u>302,504</u>	<u>270</u>	<u>-</u>	<u>1,555,953</u>
<u>28,058</u>	<u>(9,639)</u>	<u>(293,222)</u>	<u>18,170</u>	<u>-</u>	<u>(581,408)</u>
-	12,309	-	129,546	-	630,153
<u>(12,309)</u>	<u>-</u>	<u>(1,388,163)</u>	<u>-</u>	<u>-</u>	<u>(1,400,472)</u>
<u>(12,309)</u>	<u>12,309</u>	<u>(1,388,163)</u>	<u>129,546</u>	<u>-</u>	<u>(770,319)</u>
15,749	2,670	(1,681,385)	147,716	-	(1,351,727)
283,627	50,915	1,682,381	-	-	2,230,549
<u>\$299,376</u>	<u>\$53,585</u>	<u>\$996</u>	<u>\$147,716</u>	<u>\$-</u>	<u>\$878,822</u>

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OTHER FINANCIAL AND STATISTICAL INFORMATION

CITY OF LIBERTY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>
2011-2012	\$2,786,389	\$2,647,312	95%	\$116,076	\$2,763,388
2012-2013	3,007,120	2,922,853	97%	122,703	3,045,556
2013-2014	3,249,316	3,040,377	94%	110,391	3,150,768
2014-2015	3,352,700	3,065,321	92%	253,511	3,318,832
2015-2016	3,330,057	3,149,898	95%	228,260	3,378,158
2016-2017	3,453,243	3,286,123	95%	92,157	3,378,280
2017-2018	3,646,335	3,455,603	95%	100,262	3,555,865
2018-2019	3,875,803	3,670,787	95%	101,361	3,772,148
2019-2020	3,958,651	3,319,345	84%	109,645	3,428,990
2020-2021	4,127,750	3,998,780	97%	357,165	4,355,945

The accompanying Independent Auditor's Report should be read with this additional information.

<u>Total Collections As Percent of Current Levy</u>	<u>Tax Adjustments</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Percent of Levy</u>
99.2%	\$(19,506)	\$837,460	30.0%
101.3%	(32,539)	836,666	27.8%
97.0%	(11,524)	923,690	28.4%
99.0%	3,332	960,890	28.7%
101.4%	(65,654)	847,136	25.4%
97.8%	(12,881)	909,218	26.3%
97.5%	(16,453)	983,236	27.0%
97.3%	(55,544)	1,031,664	26.6%
86.6%	(50,950)	1,510,375	38.1%
105.5%	(24,522)	1,257,657	30.5%

CITY OF LIBERTY, TEXAS
GENERAL FUND REVENUES BY SOURCE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Ad Valorem and Other Taxes</u>	<u>Sales Tax</u>	<u>In Lieu of Taxes</u>	<u>Inter-Governmental Transfers and Grants</u>
2011-2012	\$1,727,048	\$2,002,343	-	\$193,121
2012-2013	2,026,426	2,056,737	-	54,208
2013-2014	2,116,727	2,302,566	-	233,216
2014-2015	2,323,762	2,023,822	-	66,949
2015-2016	2,371,085	1,909,135	-	105,513
2016-2017	2,210,126	1,993,516	-	84,409
2017-2018	2,436,693	2,007,052	-	555,384(a)
2018-2019	2,665,504	2,078,628	\$523,818	840,745(b)
2019-2020	2,528,975	2,234,263	438,424	962,416(c)
2020-2021	3,199,577	2,177,800	415,700	96,206

(a) Includes \$491,491 of FEMA recovery for Hurricane Harvey disaster costs in 2017.

(b) Includes \$797,686 of FEMA recovery for 2016 flooding disasters.

(c) Includes \$562,024 of covid relief funds and \$334,465 of FEMA recovery primarily for 2008 Hurricane disaster.

(d) Includes \$600,000 library cost settlement.

(e) Includes \$1,165,000 library cost settlement.

<u>Fines & Forfeitures</u>	<u>License, Fees and Rents</u>	<u>Other Revenue</u>	<u>Total</u>
\$84,790	\$710,399	\$325,475	\$5,043,176
128,188	769,441	260,639	5,295,639
186,588	793,362	306,148	5,938,607
212,030	938,002	252,182	5,816,747
232,841	989,017	122,493	5,730,084
287,671	917,864	265,548	5,759,134
237,403	948,612	157,480	6,342,624
208,803	1,109,559	919,347(d)	8,346,404
197,468	1,083,229	1,694,472(e)	9,139,247
201,514	1,024,310	227,135	7,342,242

CITY OF LIBERTY, TEXAS
GENERAL FUND EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Administration</u>	<u>Street</u>	<u>Fire and Emergency Services</u>	<u>Municipal Court</u>	<u>Cultural Center Library</u>
2011-2012	\$878,208	\$685,418	\$1,457,042	\$95,137	\$418,470
2012-2013	903,017	668,383	1,438,913	143,024	431,771
2013-2014	971,667	663,206	1,601,881	158,924	440,912
2014-2015	1,008,313	732,961	1,979,890	171,142	436,254
2015-2016	1,057,252	647,239	1,993,663	148,170	647,239
2016-2017	1,114,905	757,464	1,984,960	188,320	769,117
2017-2018	1,160,749	778,490	2,015,486	128,010	852,546
2018-2019	1,261,659	776,062	2,095,220	155,478	679,436
2019-2020	1,366,553	666,652	2,455,367	182,158	454,153
2020-2021	1,338,753	764,802	2,416,245	206,650	472,569

(a) Includes \$648,451 of hurricane disaster recovery costs.

(b) Includes \$330,955 of hurricane disaster recovery costs and \$1,257,053 capital expenditures.

<u>Parks and Recreation</u>	<u>Maintenance</u>	<u>Police</u>	<u>Other</u>	<u>Totals</u>
\$229,486	\$100,003	\$1,718,548	\$1,360,662	\$6,942,974
232,114	79,702	1,723,889	1,340,978	6,961,791
272,721	80,105	1,758,414	1,893,209	7,841,039
282,727	92,746	1,899,551	1,465,849	8,069,433
294,029	93,679	2,124,228	1,524,630	8,530,129
269,292	88,709	2,270,494	2,684,848(a)	10,128,109
280,456	96,897	2,362,355	2,725,679(b)	10,400,668
275,770	93,984	2,302,506	2,807,062	10,447,177
284,178	86,367	2,335,852	2,505,569	10,336,849
356,406	92,356	2,413,698	2,181,889	10,243,368

CITY OF LIBERTY, TEXAS
ELECTRIC FUND REVENUES BY SOURCE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Service Sales (a)</u>	<u>Interest Earned</u>	<u>Other Income</u>	<u>Total Income</u>
2011-2012	\$17,679,763	\$11,602	\$20,357	\$17,711,722
2012-2013	16,894,645	9,625	2,151	16,906,421
2013-2014	17,913,089	7,137	8,214	17,928,440
2014-2015	17,348,117	13,276	5,135	17,366,528
2015-2016	15,472,175	39,944	9,201	15,521,320
2016-2017	15,903,554	43,907	-	15,947,461
2017-2018	17,201,644	163,448	3,826	17,368,918
2018-2019	16,704,246	192,052	423	16,896,721
2019-2020	14,743,311	193,273	-	14,936,584
2020-2021	12,769,954	157,782	-	12,927,736

(a) Net of change in allowance for doubtful accounts.

CITY OF LIBERTY, TEXAS
ELECTRIC FUND EXPENSES
LAST TEN FISCAL YEARS

<u>Operating Expenses</u>					
<u>Fiscal Year</u>	<u>Power Purchases</u>	<u>Others</u>	<u>Total Operating</u>	<u>Depreciation</u>	<u>Total Expenses</u>
2011-2012	\$15,004,801(a)	\$911,161	\$15,915,962	\$144,964	\$16,060,926
2012-2013	14,190,481(a)	788,269	14,978,750	131,506	15,110,256
2013-2014	15,838,927(a)	673,499	16,512,426	127,957	16,640,383
2014-2015	14,644,277(a)	891,610	15,535,887	176,238	15,712,125
2015-2016	12,780,405(a)	1,143,796	13,924,201	177,981	14,102,182
2016-2017	13,976,373(a)	857,681	14,834,054	125,331	14,959,385
2017-2018	15,228,979(a)	902,203	16,131,182	223,356	16,354,538
2018-2019	14,276,542(a)	1,299,814	15,576,356	221,082	15,797,438
2019-2020	12,941,606(a)	1,319,633	14,261,239	167,825	14,429,064
2020-2021	11,259,107(a)	1,332,393	12,591,500	165,342	12,756,842

(a) Net of rebate.

CITY OF LIBERTY, TEXAS
WATER AND WASTEWATER FUND
REVENUES BY SOURCE AND EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS

Revenues				
<u>Fiscal Year</u>	<u>Water Service (a)</u>	<u>Wastewater Service</u>	<u>Other Income</u>	<u>Total Income</u>
2011-2012	\$1,586,210	\$1,205,708	\$16,941	\$2,808,859
2012-2013	1,624,944	1,201,261	15,837	2,842,042
2013-2014	1,628,574	1,212,803	20,791	2,862,168
2014-2015	1,610,083	1,319,268	13,512	2,942,863
2015-2016	1,640,900	1,564,119	14,142	3,219,161
2016-2017	1,727,953	1,644,154	100,114	3,472,221
2017-2018	2,045,035	1,721,199	227,658	3,993,892
2018-2019	1,942,486	1,728,552	132,601	3,803,639
2019-2020	2,005,679	1,772,168	35,593	3,813,440
2020-2021	2,118,131	1,951,556	38,239	4,107,926

(a) Net of change in allowance for doubtful accounts.

Expenses

<u>Operating Expenses</u>	<u>Depreciation</u>	<u>Total Expenses</u>
\$1,353,264	\$326,402	\$1,679,666
1,446,388	362,535	1,808,923
1,416,297	358,746	1,775,043
1,605,232	432,982	2,038,214
1,772,880	411,213	2,184,093
1,982,463	452,059	2,434,522
1,673,049	668,887	2,341,936
1,953,301	815,708	2,769,009
2,034,573	870,048	2,904,621
1,730,209	883,255	2,613,464

CITY OF LIBERTY, TEXAS
SOLID WASTE FUND
REVENUES AND EXPENSES
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Operating Expenses</u>
2011-2012	\$631,769	\$473,439
2012-2013	656,313	492,041
2013-2014	711,385	541,861
2014-2015	727,637	560,293
2015-2016	738,515	566,548
2016-2017	736,429	560,215
2017-2018	747,090	575,154
2018-2019	752,863	567,686
2019-2020	763,122	553,912
2020-2021	777,229	571,400

The accompanying Independent Auditor's Report should be read with this additional information.

FEDERAL AWARDS SECTION

SWAIM, BRENTS & ASSOCIATES, P.C.
2804 Jefferson Drive
Liberty, Texas 77575
(936) 336-7205

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

Honorable Mayor and Members of the City Council
City of Liberty, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, 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 and have issued our report thereon dated February 14, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Swaim, Brents & Associates, P.C.

Swaim, Brents & Associates, P.C.
Liberty, Texas
February 14, 2022

SWAIM, BRENTS & ASSOCIATES, P.C.
2804 Jefferson Drive
Liberty, Texas 77575
(936) 336-7205

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Members of the City Council
City of Liberty, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Liberty, Texas (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Swaim, Brents & Associates, P.C.

Swaim, Brents & Associates, P.C.
Liberty, Texas
February 14, 2022

CITY OF LIBERTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

A. Financial Statement Findings
 NONE

B. Federal Award Findings and Questioned Costs
 NONE

CITY OF LIBERTY, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None	None	

LIBERTY CITY, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2021

N/A

CITY OF LIBERTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	TOTAL FEDERAL EXPENDITURES
<u>U.S. Department of Homeland Security</u>			
Passed through the Texas Department of Public Safety's Division of Emergency Management:			
<i>Hazard Mitigation Grant</i>	97.039	DR-4332-012	\$3,666,922
		Subtotal 97.039	3,666,922
<i>Emergency Management Performance Grants</i>	97.042	20TX-EMPG-0407	19,423
		Subtotal 97.042	19,423
Total U.S. Department of Homeland Security			3,686,345
<u>U.S. Department of Housing & Urban Development</u>			
Passed through Texas General Land Office:			
<i>Community Development Block Grant</i>	14.228	20-065-003-B965	167,854
		Subtotal 14.228	167,854
Total U.S. Department of Housing & Urban Development			167,854
<u>U.S. Environmental Protection Agency</u>			
Passed through Texas Water Development Board:			
<i>ARRA-Capitalization Grants for Clean Water SRF</i>	66.458		17,887
<i>ARRA-Capitalization Grants For Drinking Water SRF</i>	66.468		30,030
		Subtotal	47,917
Total U.S. Environmental Protection Agency			47,917
<u>U.S. Department of Transportation</u>			
Passed through Texas Department of Transportation:			
<i>Airport Improvement Program - Cares Act</i>	20.106		12,458
<i>Airport Improvement Program - CRRSAA</i>	20.106		13,000
		Subtotal 20.106	25,458
Total U.S. Department of Transportation			25,458
<u>U.S. Department of Treasury</u>			
Passed through the Texas Department of Public Safety's Division of Emergency Management:			
<i>Coronavirus State and Local Fiscal Recovery Funds</i>	21.027	TX 0943	230
		Subtotal 21.027	230
Total U.S. Department of Treasury			230
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,927,804

See accompanying notes to schedule of expenditures of federal awards.

CITY OF LIBERTY, TEXAS
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Liberty, Texas, under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Liberty, Texas, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Liberty, Texas.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City did not allocate indirect costs to federal awards.

C. EXPENDITURES UNDER LOAN PROGRAMS

In April, 2016 the City issued Utility System Revenue Bonds of \$1.8 million. The Utility System Revenue Bonds, Series 2016A (\$900,000) and Series 2016B (\$915,000) were issued to fund improvements to the wastewater and water systems of the City, respectfully. The bonds were issued through the Texas Water Development Board, Clean Water and Drinking Water Revolving funds. During fiscal 2021, the City expended \$30,030 and \$17,887 under these loan programs, respectively. As of September 30, 2021, the amounts remaining unexpended are \$468,967 and \$79,415, respectively.

