



CITY OF CORRIGAN, TEXAS

**BASIC FINANCIAL STATEMENTS and
REQUIRED SUPPLEMENTARY and
OTHER INFORMATION**

FISCAL YEAR ENDED SEPTEMBER 30, 2022

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OTHER INFORMATION**

FISCAL YEAR ENDED SEPTEMBER 30, 2022

Gollob Morgan Peddy PC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Corrigan, Texas

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Corrigan, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City of Corrigan, Texas' basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Corrigan, Texas, as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Corrigan, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

City of Corrigan, Texas' management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Corrigan, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Corrigan, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Corrigan, Texas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-10 and the schedules related to pension and OPEB activity on pages 49-51 will 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 and other auditors 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Corrigan, Texas' basic financial statements. The additional supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is 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 our report dated July 14, 2023, on our consideration of City of Corrigan, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Corrigan, Texas' internal control over financial reporting and compliance.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
July 14, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

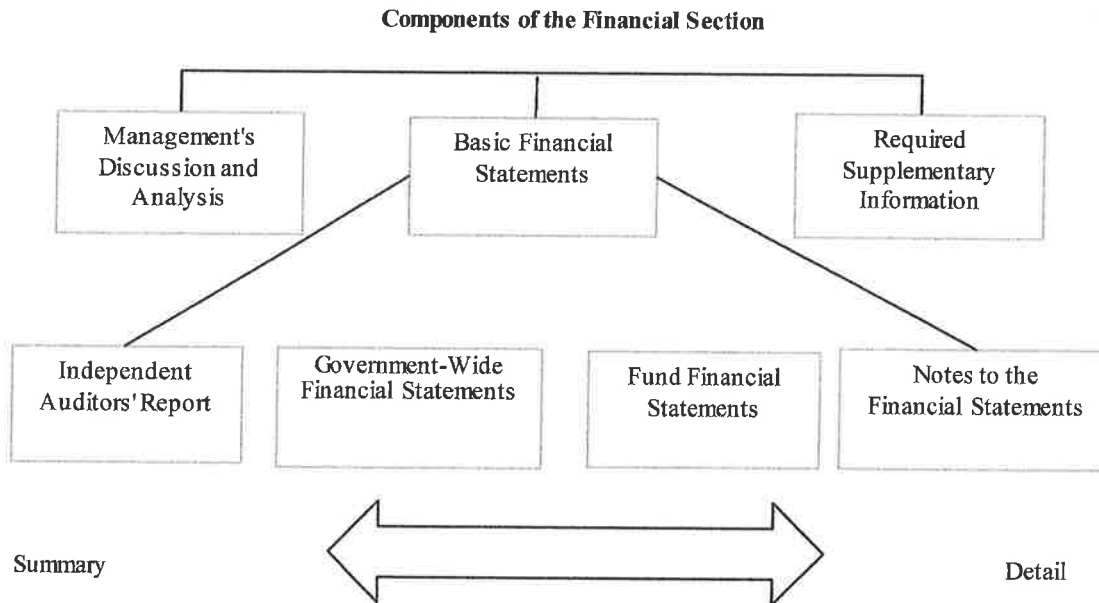
**CITY OF CORRIGAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Corrigan, Texas (the "City") for the year ending September 30, 2022. The analysis is based on currently known facts, decisions, and economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison.

FINANCIAL HIGHLIGHTS

- The overall assets of the City increased by \$412,160 during the fiscal year. Of this amount, net pension asset increased by \$132,906 and current assets increased by \$194,295 while capital assets increased by \$85,459.
- The City's long-term liabilities increased by \$171,728 during the current fiscal year. Total debt outstanding at year end was \$894,164; \$349,000 in bond obligations, \$400,754 in notes payable obligations, \$10,865 in lease liabilities, \$105,470 in OPEB liabilities, and \$28,075 in compensated absences.
- The City's overall assets exceeded its total liabilities by \$3,096,247 (net position) at September 30, 2022.
- Overall revenues increased by \$16,740 from the prior year.
- Overall revenues exceeded expenditures (or an increase in net position) by \$17,784. Net position increased by \$550,541 in the governmental funds and decreased by \$532,757 in the proprietary fund. These changes were mainly due to the elimination of inter-fund debt.

OVERVIEW OF THE FINANCIAL STATEMENTS



This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The financial statements are prepared using Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*.

**CITY OF CORRIGAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about costs of service, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

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

The statement of activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here including public safety (police and fire protection), general government (municipal court, community center, library, and general administrative services), and public works. Interest payments on the City's debts are also reported here. Sales tax, property tax, franchise tax, municipal court fines, and charges for services finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water and sewer services, as well as solid waste collection.

The government-wide financial statements can be found after the MD&A.

The fund financial statements are presented using fund designations. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

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

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

**CITY OF CORRIGAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund, which are considered to be major funds. While the debt service fund did not technically meet the criteria to be presented as a major fund, management elected to present it as major due to its significance. The basic governmental fund financial statements can be found on pages 14-17 of this report.

Proprietary fund. The City maintains one type of proprietary fund, an enterprise fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water distribution, wastewater collection/treatment, and solid waste operations. The proprietary fund financial statements provide more detailed information for the water distribution, wastewater collection/treatment, and solid waste fund. The basic proprietary fund financial statements can be found on pages 19-23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found at pages 24-47 of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule have been provided for this fund to demonstrate compliance with this budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets exceed liabilities by \$3,096,247 as of September 30, 2022. This compares with \$3,078,465 from the prior fiscal year. The largest portion of the City's net position, \$2,913,863, reflects its investments in capital assets (e.g., land, building, equipment, improvements, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

City of Corrigan's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 299,667	\$ (355,350)	\$ 246,795	\$ 649,279	\$ 546,462	\$ 293,929
Restricted assets	137,078	194,816	50,360	50,360	187,438	245,176
Net pension asset	208,939	87,246	15,529	4,316	224,468	91,562
Capital assets, net	2,099,320	1,938,194	1,574,162	1,650,829	3,673,482	3,589,023
Total Assets	2,745,004	1,864,906	1,886,846	2,354,784	4,631,850	4,219,690
Deferred outflows	66,015	32,101	12,544	11,063	78,559	43,164
Current liabilities	343,926	266,235	201,645	145,282	545,571	411,517
Non-current liabilities	882,209	711,463	11,955	10,973	894,164	722,436
Total Liabilities	1,226,135	977,698	213,600	156,255	1,439,735	1,133,953
Deferred inflows	161,876	46,842	12,551	3,594	174,427	50,436
Net investment in capital assets	1,338,701	1,353,726	1,574,162	1,650,829	2,912,863	3,004,555
Restricted	137,078	194,816	50,360	50,360	187,438	245,176
Unrestricted	(52,771)	(676,075)	48,717	504,809	(4,054)	(171,266)
Total Net Position	\$ 1,423,008	\$ 872,467	\$ 1,673,239	\$ 2,205,998	\$ 3,096,247	\$ 3,078,465

CITY OF CORRIGAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

A portion of the City's net position, \$187,438 represents resources that are subject to external restriction on how they may be used.

The City's total net position increased by \$17,784 during the current fiscal year, as compared to an overall increase of \$90,582 in the prior year.

City of Corrigan's Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,100,721	\$ 1,249,322	\$ 1,083,022	\$ 1,049,885	\$ 2,183,743	\$ 2,299,207
Grant revenue	250,931	163,184	-	-	250,931	163,184
General revenues:						
Property taxes	464,579	398,780	-	-	464,579	398,780
Sales tax	443,731	562,249	-	-	443,731	562,249
Franchise fees	178,634	177,832	-	-	178,634	177,832
Interest revenue	10,402	176	-	-	10,402	176
Library	4,642	3,331	-	-	4,642	3,331
Other	153,554	68,987	-	-	153,554	68,987
Total Revenues	<u>2,607,194</u>	<u>2,623,861</u>	<u>1,083,022</u>	<u>1,049,885</u>	<u>3,690,216</u>	<u>3,673,746</u>
Expenses:						
General government	823,846	810,577	-	-	823,846	810,577
Public safety	1,621,316	1,509,103	-	-	1,621,316	1,509,103
Public works	269,706	239,991	-	-	269,706	239,991
Interest on long-term debt	15,871	21,972	-	-	15,871	21,972
Water, sewer, and sanitation	-	-	917,432	995,619	917,432	995,619
Other	-	-	24,261	5,902	24,261	5,902
Total Expenses	<u>2,730,739</u>	<u>2,581,643</u>	<u>941,693</u>	<u>1,001,521</u>	<u>3,648,171</u>	<u>3,577,262</u>
Transfers	674,086	(198,665)	(674,086)	198,665	-	-
Change in Net Position	<u>550,541</u>	<u>(156,447)</u>	<u>(532,757)</u>	<u>247,029</u>	<u>17,784</u>	<u>90,582</u>
Net Position beginning of year	<u>872,467</u>	<u>1,028,914</u>	<u>2,205,996</u>	<u>1,958,967</u>	<u>3,078,463</u>	<u>2,987,881</u>
Net Position, end of year	<u>\$ 1,423,008</u>	<u>\$ 872,467</u>	<u>\$ 1,673,239</u>	<u>\$ 2,205,996</u>	<u>\$ 3,096,247</u>	<u>\$ 3,078,463</u>

For the year ended September 30, 2022, revenues from governmental activities totaled \$2,607,194. Overall governmental revenues decreased by 1%. This decrease is mainly due to a decrease in sales taxes collected during the year which was a direct affect from an above average sales tax in fiscal year 2021.

For the year ended September 30, 2022, expenses for governmental activities totaled \$2,730,739, which is an increase of \$149,096 from the prior year. This decrease can be attributed primarily to increases in public safety expenditures.

For the year ended September 30, 2022, revenues for business-type activities increased by \$33,137 which come from an increase in revenue collected from water operations. Overall, expenses decreased by \$59,828, which can be attributed to a decrease in water operating expenses.

**CITY OF CORRIGAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The City's governmental funds reflect a combined balance of 68,504, of which \$137,078 is restricted for various purposes. There was an increase in the combined fund balances of \$521,198 from the prior year.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was (\$68,574), while total fund balances were \$68,110. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balances and total fund balances to total fund expenditures. The general fund had an overall decrease of \$524,395 for the year, primarily due to a large increase in transfers to the water and sewer fund to remove the interfund receivable.

The debt service fund has a total fund balance of \$394, all of which is restricted for the payment of debt service. The net decrease in fund balance for the current year was \$3,197.

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

Unrestricted net position of the water and sewer enterprise fund at the end of the year amount to \$48,717. Overall, net position for the fund decreased by \$532,757. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities above.

GENERAL FUND BUDGETARY HIGHLIGHTS

There had been no planned increase or decreased in budgeted fund in the general fund. Its actual increase on a budgetary basis came to be \$230,220.

Actual general fund revenues were more than budgeted revenues by \$511,839 for the year. This increase includes a positive variance of \$128,351 in fines and forfeitures and \$153,554 in grants.

There was a net variance in actual governmental expenditures to budgeted expenditures of (\$290,635).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City of Corrigan's investment in capital assets for the governmental and business-type activities as of September 30, 2022, amounts to \$2,913,863, net of accumulated depreciation and related debt. This investment in capital assets includes land, buildings and improvements, machinery and equipment, water and sewer system, and infrastructure. The biggest changes during the current year were the decrease in water and sewer equipment of \$75,667. The total net decrease in the City's investment in capital assets for the current year was \$91,692.

CITY OF CORRIGAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 258,751	258,751	\$ 31,000	\$ 31,000	\$ 289,751	\$ 289,751
Buildings and improvements	402,783	406,084	-	-	402,783	406,084
Machinery and equipment	398,735	220,244	-	-	398,735	220,244
Water and sewer system	-	-	1,543,162	1,619,829	1,543,162	1,619,829
Infrastructure	1,028,211	1,053,115	-	-	1,028,211	1,053,115
Right-of-use asset	10,840	-	-	-	10,840	-
Total	\$ 2,099,320	\$ 1,938,194	\$ 1,574,162	\$ 1,650,829	\$ 3,673,482	\$ 3,589,023

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-Term Debt. At year-end, the City had \$894,164 in bonds and other long-term liabilities outstanding after the issuance of new debt of \$333,765 and principal payments of \$157,614 were made against debt during the year.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 349,000	\$ 460,000	\$ -	\$ -	\$ 349,000	\$ 460,000
Notes payable	400,754	124,468	-	-	400,754	124,468
Lease liability	10,865	-	-	-	10,865	-
Other postemployment benefits	97,840	98,447	7,630	7,686	105,470	106,133
Compensated absences	23,750	28,548	4,325	3,287	28,075	31,835
Total	\$ 882,209	\$ 711,463	\$ 11,955	\$ 10,973	\$ 894,164	\$ 722,436

Additional information on the City's long-term debt can be found in the footnotes to this financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for fiscal year 2023 will allow the City to maintain services and employee compensation and increase its tax rate to \$.5000/\$100 valuation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Darrian Hudman, City Manager, 101 West Ben Franklin, Corrigan, TX, 75939; telephone 939-398-4126.

BASIC FINANCIAL STATEMENTS

**CITY OF CORRIGAN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 175,227	\$ 26,580	\$ 201,807
Receivables (net of allowance for doubtful accounts)	124,440	220,215	344,655
Restricted Assets:			
Cash and cash equivalents	89,496	360	89,856
Investments	47,582	50,000	97,582
Capital Assets (net of accumulated depreciation)			
Land	258,751	31,000	289,751
Buildings and improvements	402,783	-	402,783
Infrastructure	1,028,211	-	1,028,211
Machinery and equipment	398,735	-	398,735
Water and sewer system	-	1,543,162	1,543,162
Right-of-use asset	10,840	-	10,840
Net pension asset	208,939	15,529	224,468
Total Assets	2,745,004	1,886,846	4,631,850
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	50,995	11,398	62,393
Deferred outflows related to OPEB	15,020	1,146	16,166
Total Deferred Outflows of Resources	66,015	12,544	78,559
LIABILITIES			
Accounts payable and accrued liabilities	343,926	144,270	488,196
Customer deposits	-	57,375	57,375
Contingent liabilities	-	-	-
Non-current liabilities:			
Due within one year	206,042	232	206,274
Due in more than one year	578,327	4,093	582,420
Total OPEB liability	97,840	7,630	105,470
Total Liabilities	1,226,135	213,600	1,439,735
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	152,239	11,772	164,011
Deferred inflows related to OPEB	9,637	779	10,416
Total Deferred Inflows of Resources	161,876	12,551	174,427
NET POSITION			
Net investment in capital assets	1,338,701	1,574,162	2,912,863
Restricted for:			
Community center and parks	7,459	-	7,459
Police	25,364	-	25,364
Court	45,182	-	45,182
Debt	5,268	-	5,268
Fire	6,223	-	6,223
Library	27,577	-	27,577
Capital projects	20,005	-	20,005
Customer deposits	-	50,360	50,360
Unrestricted	(52,771)	48,717	(4,054)
Total Net Position	\$ 1,423,008	\$ 1,673,239	\$ 3,096,247

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

**CITY OF CORRIGAN, TEXAS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT:	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:						
General government	\$ 823,846	\$ -	\$ 250,931	\$ (572,915)	\$ -	\$ (572,915)
Public safety	1,621,316	1,100,721	-	(520,595)	-	(520,595)
Public works	269,706	-	-	(269,706)	-	(269,706)
Interest on debt	15,871	-	-	(15,871)	-	(15,871)
Total governmental activities	2,730,739	1,100,721	250,931	(1,379,087)	-	(1,379,087)
Business-type activities:						
Water and sewer	917,432	1,083,022	-	-	165,590	165,590
Total business-type activities	917,432	1,083,022	-	-	165,590	165,590
Total primary government	\$ 3,648,171	\$ 2,183,743	\$ 250,931	\$ (1,379,087)	\$ 165,590	\$ (1,213,497)
General revenues:						
Taxes:						
Property taxes				464,579	-	464,579
Sales taxes				443,731	-	443,731
Franchise fees				178,634	-	178,634
Interest revenue				10,402	-	10,402
Library				4,642	-	4,642
Other				153,554	(24,261)	129,293
Transfers				674,086	(674,086)	-
Total general revenues and transfers				1,929,628	(698,347)	1,231,281
Change in net position				550,541	(532,757)	17,784
Net position - beginning of year				872,467	2,205,996	3,078,463
Net position - end of year				\$ 1,423,008	\$ 1,673,239	\$ 3,096,247

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

CITY OF CORRIGAN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	GENERAL	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 175,227	\$ -	\$ 175,227
Receivables, net	120,023	4,417	124,440
Restricted assets:			
Cash and cash equivalents	89,102	394	89,496
Investments	47,582	-	47,582
Total Assets	431,934	4,811	436,745
LIABILITIES			
Accounts payable and accrued liabilities	339,452	-	339,452
Total Liabilities	339,452	-	339,452
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	24,372	4,417	28,789
Total Deferred Inflows of Resources	24,372	4,417	28,789
FUND BALANCES			
Restricted for:			
Community center and parks	7,459	-	7,459
Police	25,364	-	25,364
Court	45,182	-	45,182
Debt	4,874	394	5,268
Fire	6,223	-	6,223
Library	27,577	-	27,577
Capital projects	20,005	-	20,005
Unassigned	(68,574)	-	(68,574)
Total Fund Balances	68,110	394	68,504
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 431,934	\$ 4,811	\$ 436,745

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

CITY OF CORRIGAN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit 1)

Total fund balances governmental funds (Exhibit 3 page 1)	\$ 68,504
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	2,099,320
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	28,789
Accrued interest payable at year end	(4,474)
Net pension asset reflected under GASB 68 at year end	208,939
Net OPEB liability reflected under GASB 75 at year end	(97,840)
Deferred outflows of funds related to pension and OPEB activities	66,015
Deferred inflows of funds related to pension and OPEB activities	(161,876)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(784,369)</u>
Net position of governmental activities	<u>\$ 1,423,008</u>

CITY OF CORRIGAN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2022

	GENERAL	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property taxes	\$ 352,652	\$ 113,535	\$ 466,187
Sales taxes	443,731	-	443,731
Franchise fees	178,634	-	178,634
Fines and forfeitures	1,100,721	-	1,100,721
Library	4,642	-	4,642
Interest revenue	10,402	-	10,402
Charges for service	-	-	-
Grant revenue	153,554	-	153,554
Other revenue	250,931	-	250,931
	<u>2,495,267</u>	<u>113,535</u>	<u>2,608,802</u>
Total Revenues	2,495,267	113,535	2,608,802
EXPENDITURES			
General government:			
Administration	400,545	-	400,545
Library	154,906	-	154,906
Community Center	969	-	969
Court	248,647	-	248,647
Public safety:			
Police	1,573,581	-	1,573,581
Fire	53,972	-	53,972
Public works	212,243	-	212,243
Capital outlay	277,107	-	277,107
Debt:			
Principal payments	46,614	111,000	157,614
Interest and fiscal agent charges	4,825	11,046	15,871
	<u>2,973,409</u>	<u>122,046</u>	<u>3,095,455</u>
Total Expenditures	2,973,409	122,046	3,095,455
Excess (Deficiency) of Revenues Over (Under) Expenditures	(478,142)	(8,511)	(486,653)
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of Debt	316,730	-	316,730
Lease proceeds	17,035	-	17,035
Transfers in	674,805	5,314	680,119
Transfers out	(6,033)	-	(6,033)
	<u>1,002,537</u>	<u>5,314</u>	<u>1,007,851</u>
Total Other Financing Sources (Uses)	1,002,537	5,314	1,007,851
Net Change in Fund Balances	524,395	(3,197)	521,198
Fund Balance, October 1, 2021	(456,285)	3,591	(452,694)
Fund Balance, September 30, 2022	<u>\$ 68,110</u>	<u>\$ 394</u>	<u>\$ 68,504</u>

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

CITY OF CORRIGAN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2022

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

Net change in fund balances - total governmental funds	\$ 521,198
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	161,126
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	(171,353)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The current adjustment reflects a net increase in the deferral of the revenue.	(1,610)
Changes in GASB 68 pension expense due to changes in the current period deferred outflow of resources and the deferred inflow of resources	48,689
Changes in GASB 75 OPEB expense due to changes in the current period deferred outflow of resources and the deferred inflow of resources	<u>(7,509)</u>
Change in net position of governmental activities	<u>\$ 550,541</u>

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

CITY OF CORRIGAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2022

	ORIGINAL AND FINAL BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Property taxes	\$ 308,628	\$ 352,652	\$ 44,024
Sales taxes	380,000	427,731	47,731
Franchise fees	190,000	178,634	(11,366)
Fines and forfeitures	1,022,000	1,150,351	128,351
Library	2,500	4,642	2,142
Interest revenue	500	10,402	9,902
Grant revenue	-	153,554	153,554
VFD donations	16,000	19,348	3,348
Other revenue	-	134,153	134,153
	<u>1,919,628</u>	<u>2,431,467</u>	<u>511,839</u>
Total Revenues			
EXPENDITURES			
General government:			
Administration	289,487	267,105	22,382
Library	134,714	157,293	(22,579)
Community Center	-	16,949	(16,949)
Court	283,367	287,819	(4,452)
Public safety:			
Police	1,378,203	1,655,981	(277,778)
Fire	93,395	53,972	39,423
Public works	256,241	220,108	36,133
Capital outlay	22,345	-	22,345
Debt:			
Principal payments	121,632	210,792	(89,160)
Interest and fiscal agent charges	-	-	-
	<u>2,579,384</u>	<u>2,870,019</u>	<u>(290,635)</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	(659,756)	(438,552)	221,204
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>659,756</u>	<u>668,772</u>	<u>9,016</u>
Total Other Financing Sources (Uses)			
	<u>659,756</u>	<u>668,772</u>	<u>9,016</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	-	230,220	230,220
Budget Basis to GAAP Basis Adjustment (Note A)	<u>-</u>	<u>294,175</u>	<u>294,175</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	-	524,395	524,395
Fund Balance, October 1, 2021	<u>-</u>	<u>(456,285)</u>	<u>(456,285)</u>
Fund Balance, September 30, 2022	<u>\$ -</u>	<u>\$ 68,110</u>	<u>\$ 68,110</u>

Note A - Explanation of Differences Between Budget Basis Presentation and GAAP Basis Presentation:

Uses/Outflows of Resources:		
Differences - Budget to GAAP		
Adjustments made to revenues for full accrual basis	\$	63,800
Loan proceeds received		316,730
Adjustments made to record the accrual of various expenditures		(86,355)
Capital outlay from adoption of GASB 87		(17,035)
Lease proceeds from adoption of GASB 87		17,035
Net Change in Budget Basis Presentation and GAAP Basis Presentation	<u>\$</u>	<u>294,175</u>

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

CITY OF CORRIGAN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2022

	<u>WATER AND SEWER FUND</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 26,580
Accounts receivable (net)	220,215
	<hr/>
Total Current Assets	246,795
	<hr/>
Restricted Current Assets:	
Restricted cash and cash equivalents	360
Restricted investments	50,000
	<hr/>
Total Restricted Current Assets	50,360
	<hr/>
Capital Assets:	
Land	31,000
Water and sewer system	2,941,444
Less: Accumulated depreciation	(1,398,282)
	<hr/>
Total Capital Assets Net of Accumulated Depreciation	1,574,162
	<hr/>
Other Assets:	
Net pension asset	15,529
	<hr/>
Total Assets	1,886,846
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	11,398
Deferred outflows related to OPEB	1,146
	<hr/>
Total Deferred Outflows of Resources	12,544
	<hr/>

(continued)

CITY OF CORRIGAN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2022

	<u>WATER AND SEWER FUND</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 144,270
Compensated absences	232
Customer deposits	<u>57,375</u>
Total Current Liabilities	<u>201,877</u>
Noncurrent Liabilities:	
Compensated absences	4,093
Total OPEB obligation	<u>7,630</u>
Total Noncurrent Liabilities	<u>11,723</u>
Total Liabilities	<u>213,600</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	11,772
Deferred inflows related to OPEB	<u>779</u>
Total Deferred Inflows of Resources	<u>12,551</u>
NET POSITION	
Net investment in capital assets	1,574,162
Restricted for customer deposits	50,360
Unrestricted	<u>48,717</u>
Total Net Position	<u>\$ 1,673,239</u>

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

CITY OF CORRIGAN, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2022

	WATER AND SEWER FUND
OPERATING REVENUES	
Water sales	\$ 423,303
Sewer charges	263,740
Garbage fees	322,917
Charges for other services	73,062
Total Operating Revenues	1,083,022
OPERATING EXPENSES	
Water operations	316,377
Sewer operations	249,734
Sanitation operations	275,654
Depreciation	75,667
Total Operating Expenses	917,432
Operating Income (Loss)	165,590
NONOPERATING REVENUES (EXPENSES)	
Other income (expense)	(24,261)
Total Non-Operating Revenue (Expenses)	(24,261)
INCOME BEFORE TRANSFERS	141,329
Transfers in	(674,086)
Change in Net Position	(532,757)
Net Position, October 1, 2021	2,205,996
Net Position, September 30, 2022	\$ 1,673,239

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

CITY OF CORRIGAN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers and users	\$ 944,759
Cash paid to suppliers for goods and services	(663,415)
Cash paid to employees for services	(150,840)
	<hr/>

Net cash provided by operating activities	<hr/> 130,504 <hr/>
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CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Net advances from other funds	569,770
Transfers out	(674,086)
	<hr/>

Net cash used in non-capital financing activities	<hr/> (104,316) <hr/>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchases or construction of capital assets	-
Purchases of investments	-
	<hr/>

Net cash used in capital and related financing activities	<hr/> - <hr/>
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Net increase in cash	26,188
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Cash, beginning of period	<hr/> 752 <hr/>
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Cash, end of period	<hr/> <u>\$ 26,940</u> <hr/>
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Reconciliation of cash to Exhibit 7:

Cash - current asset	\$ 26,580
Cash - temporarily restricted	360
Total cash, end of period	<hr/> <u>\$ 26,940</u> <hr/>

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

**CITY OF CORRIGAN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED
BY (USED IN) OPERATING ACTIVITIES**

Operating Income	\$	165,590
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		75,667
Other expenses		(24,261)
Changes in Operating Assets and Liabilities:		
Decrease (increase) in accounts receivable		(141,100)
Decrease (increase) in deferred outflows of resources		2,831
Increase (decrease) in accounts payable		54,526
Increase (decrease) in customer deposits		2,837
Increase (decrease) in compensated absences		1,038
Increase (decrease) in net pension obligation/asset		(11,213)
Increase (decrease) in other postemployment benefit obligation		(56)
Increase (decrease) in deferred inflows of resources		4,645
		4,645
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	130,504

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

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 1: — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Corrigan, Texas (the City) was incorporated on November 5, 1938 and adopted a “General Law” charter by resolution for a council-manager form of government. The Council is composed of a mayor and five Council members, all of whom are elected at large and serve two-year terms.

The Mayor is the Chief Executive Officer of the City, presides at Council meetings, and votes on all matters considered by the Council that end in a split vote. All powers of the City are vested in the Council. Such powers include appointment of the City manager, boards and commissions; adoption of the budget; authorization of bond issues; and adoption of ordinances and resolutions as deemed necessary, desirable, and beneficial to the City.

The City provides the following services: general government, public safety, and public works.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the government’s accounting policies are described below.

B. Reporting Entity

These financial statements present all of the funds of the City.

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

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

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

C. Government-Wide and Fund Financial Statements - Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead of general revenue. Major individual governmental funds are reported as separate columns in the financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of the year end). Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of the year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following governmental funds:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund. The principal sources of revenues include local property taxes, sales and franchise taxes, fines and forfeitures, and charges for services. Expenditures include general government, public safety, and public works. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The primary source of revenue for debt service is local property taxes. While the debt service fund did not meet the criteria to be presented as a major fund, management elected to present it as major due to its significance.

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

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

The City reports the following proprietary fund:

The *water and sewer fund* is used to account for and report the operations that provide water and wastewater collection, wastewater treatment operations, and solid waste collection and disposal. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) for providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water and sewer fund is considered a major fund for reporting purposes.

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

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

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

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

1. Cash and Cash Equivalents

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

2. Investments

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code.

In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S government and the State of Texas
- Certificates of deposit
- Statewide investment pools

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

Investments for the City are reported at fair value. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A detail of the fair value hierarchy of investments held by the City is disclosed in Note 4 to the financial statements.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

All receivables are shown net of an allowance for uncollectible. The City provides an allowance for doubtful accounts based upon the anticipated collectability of each specific account, as determined by experience.

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent and considered past due on February 1st of the following year. On July 1st of the following year, liens, penalties, and interest are assessed. The unavailable revenue from taxes is then recognized as revenue during the year as the taxes are actually received.

4. Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with initial, individual costs of more than \$5,000 and an estimated useful life in excess of two or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of proprietary fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	50 years
System improvements	50 years
Machinery and equipment	3-15 years
Infrastructure	50 years

5. Restricted Assets

Proceeds from bonds and other financing arrangements, as well as resources set aside for bond repayment, are classified as restricted assets on the statement of net position when their use is limited by applicable covenants. Other restricted assets include contractual obligation debt service funds and customer deposits. Assets restricted for a specific purpose are utilized before the use of unrestricted assets to pay related obligations when authorized to do so.

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and compensatory time. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the government fund that will pay it when it matures or becomes due. Amounts vested or accumulated vacation time that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations. Employees are paid unused vacation time to a maximum of 15 days upon voluntary termination but may not otherwise elect to be paid in lieu of vacation. Vacation pay is as follows: one through two years of service – one week; three through eight years of service – two weeks; and after eight years, three weeks.

Accumulated unpaid vacation amounts are accrued as a current liability in the period they are earned in proprietary funds (using the accrual basis of accounting) and the government-wide financial statements. In government funds, the cost of vacation is recognized when payments are due. In the event of termination of retirement, sick pay is not paid. Therefore, no accrued liabilities for sick pay are recorded.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method if material. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as expenses in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has the following two items that qualify for reporting in this category: deferred outflows of resources related to pensions and deferred outflows of resources related to other postemployment benefits.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources (revenue) until that time. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Unavailable deferred revenue related to unavailable property taxes are reported only in the governmental fund balance sheet. In the statement of financial position the City reports a deferred inflow of resources related to pension and deferred outflows of resources related to other postemployment benefits.

9. 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.

10. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, and OPEB expense, have been determined on the same basis as they are reported by TMRS under the Supplemental Death Benefits Fund. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

11. Fund Balances Classification

In the fund financial statements, governmental funds report fund balance categorized as non-spendable, restricted, committed, assigned, or unassigned. Fund balances of the governmental funds are classified as follows:

Nonspendable - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

Restricted - represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed - represents amounts that can only be used for a specific purpose because of a formal action by the City Council.

Assigned - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned - represents amounts which are unconstrained in that they may be spent for any purpose.

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

12. Net Position

The City has adopted GASB Statement No. 63, which redefines how net assets are presented in the financial statements. The Statement of Net Assets is now the Statement of Net Position. Net position represents the difference between assets and liabilities, and is divided into three components.

Net investment in capital assets - This component consists of the City's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets and adjusted for any deferred outflows or inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt.

Restricted – This component consists of those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations, reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component consists of the net amount of the assets, deferred outflows and inflows of resources, and liabilities not included in net investment in capital assets or restricted components of net position.

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

13. Tax Abatements

The City has evaluated the total tax abatements issued for the year and has determined that the amount is not material to the financial statements.

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

14. Estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

15. New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, Leases, which will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement is effective for reporting periods beginning after June 15, 2021. The City has implemented this statement as applicable for the year ended September 30, 2022.

In April 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements which will improve the information that is disclosed in notes to the financial statements related to debt, including direct borrowing and direct placements, by requiring additional essential information related to debt be disclosed, including unused lines of credit; assets pledged as collateral for debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses. This statement is effective for reporting periods beginning after June 15, 2019. The City has implemented this statement as applicable for the year ended September 30, 2020.

In June 2018, GASB issued Statement No. 89 Accounting for Interest Cost Incurred before the End of a Construction Period which will (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period by requiring that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the cost of a capital asset reported in a business-type activity or enterprise fund. . This statement is effective for reporting periods beginning after December 15, 2020. The City has implemented this statement as applicable for the year ended September 30, 2022

In August 2018, GASB issued Statement No. 90 Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61 which will improve the consistency and comparability of reporting the government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The City has implemented this statement as applicable for the year ended September 30, 2020.

In May 2019, GASB issued Statement No. 91 Conduit Debt Obligations which has the objectives of providing a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement is effective for reporting periods beginning after December 15, 2020. The City has implemented this statement as applicable for the year ended September 30, 2022

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 2: — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

An element of that reconciliation states that “Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.” The details of this \$2,099,320 difference are as follows:

Capital assets, October 1, 2021, net of accumulated depreciation	\$ 1,938,194
Capital asset additions, net of retirements	277,107
Depreciation of capital assets, net of retirements	<u>(115,981)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 2,099,320</u>

Another element states that “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.” The details of this \$(784,369) difference are as follows:

Long-term liabilities, October 1, 2021	\$ (584,468)
Debt issued during current year	\$ (333,765)
Principal paid on debt in current year	157,614
Decrease in compensated absences	<u>(23,750)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (784,369)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance and the Government-Wide Statement of Activities

An element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated to their estimated useful lives and reported as depreciation expense.” The details of this \$161,126 difference are as follows:

Capital outlay expenditures	\$ 277,107
Depreciation expense	<u>(115,981)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 161,126</u>

Also, another element states “The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.” The details of this \$(171,353) difference are as follows:

Principal payments on debt	\$ 157,614
Proceeds from issuance of debt	\$ (333,765)
Change in compensated absences	<u>4,798</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (171,353)</u>

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 3: — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted essentially on the cash basis. The budgetary comparisons are on this non-GAAP budgetary basis. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter in the approved budget is the fund where the City Council's approval is required. The City Council may transfer unencumbered appropriations for the use of a department, division, or purpose without public notice and public hearing except when such transfer shall be made of revenue or earnings of any non-tax supported public utility to any other purpose. No amendment is necessary if department expenditures exceed budget, as long as fund expenditures do not exceed the fund budget.

B. Expenditures Over Appropriations

For the year ended September 30, 2022, the water and sewer fund did have expenditures in excess of appropriations.

NOTE 4: — DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and investments as of September 30, 2022 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Primary Government	
Cash and cash equivalents	\$ 201,807
Restricted cash and cash equivalents	89,856
Investments	97,582
Total cash and investments	\$ 389,245
Cash on hand	\$ 2,659
Certificates of deposit	97,582
Savings and checking accounts	289,004
Total cash and investments	\$ 389,245

As of September 30, 2022, the carrying amount of the City's deposits was \$289,004 and the total bank balance was \$461,423. The total bank balance was covered by FDIC insurance or pledged securities held in the City's name.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's investment policy requires funds on deposits at the depository bank to be collateralized by securities. As of September 30, 2022, market values of pledged securities and FDIC coverage exceeded bank balances.

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

A. Deposits and Investments - Continued

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

GASB Statement No. 77, Fair Value Measurement and Application, establishes a fair value hierarchy for inputs used in the measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available, of how the market would price the asset or liability. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs for the asset or liability (supported by little or no market activity). Level 3 inputs include management’s own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The asset’s or liability’s fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

A summary of the City’s investments under the requirements of the fair value hierarchy as of September 30, 2022 are as follows:

	Assets at Fair Value as of September 30, 2022			
	Level 1	Level 2	Level 3	Total
Primary Government:				
Certificates of Deposit	\$ -	\$ 97,582	\$ -	\$ 97,582
Total Primary Government	\$ -	\$ 97,582	\$ -	\$ 97,582

B. Receivables

Receivables as of year-end for the City’s individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Water and Sewer Fund	Total
Receivables:				
Accounts	\$ -	\$ -	\$ 266,960	\$ 266,960
Property taxes	34,194	9,130	-	43,324
Sales tax	95,651	-	-	95,651
Grants	-	-	-	-
Gross receivables	129,845	9,130	266,960	405,935
Less: Allowance for uncollectibles	(9,822)	(4,713)	(46,745)	(61,280)
Net Receivables	\$ 120,023	\$ 4,417	\$ 220,215	\$ 344,655

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

B. Receivables - Continued

Governmental funds report deferred revenue (deferred inflows of resources) in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

C. Capital Assets

Capital asset activity for the year ended September 30, 2022 was as follows:

<u>PRIMARY GOVERNMENT</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 258,751	\$ -	\$ -	\$ 258,751
Total Capital Assets, Not Being Depreciated	258,751	-	-	258,751
Capital Assets, Being Depreciated				
Buildings and Improvements	978,346	15,980	-	994,326
Machinery and Equipment	1,070,697	244,092	-	1,314,789
Infrastructure	1,995,207	-	-	1,995,207
Right-of-use asset	-	17,035	-	17,035
Total Capital Assets, Being Depreciated	4,044,250	277,107	-	4,321,357
Less Accumulated Depreciation For:				
Buildings and Improvements	(572,262)	(19,281)	-	(591,543)
Machinery and Equipment	(850,453)	(65,601)	-	(916,054)
Infrastructure	(942,092)	(24,904)	-	(966,996)
Right-of-use-asset	-	(6,195)	-	(6,195)
Total Accumulated Depreciation	(2,364,807)	(115,981)	-	(2,480,788)
Net Total Assets Being Depreciated	1,679,443	161,126	-	1,840,569

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

C. Capital Assets – Continued

<u>PRIMARY GOVERNMENT</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 31,000	\$ -	\$ -	\$ 31,000
Total Capital Assets, Not Being Depreciated	31,000	-	-	31,000
Capital Assets, Being Depreciated				
Buildings and Improvements	2,118,465	-	-	2,118,465
Machinery and Equipment	822,979	-	-	822,979
Total Capital Assets, Being Depreciated	2,941,444	-	-	2,941,444
Less Accumulated Depreciation For:				
Buildings and Improvements	(587,811)	(40,195)	-	(628,006)
Machinery and Equipment	(734,804)	(35,472)	-	(770,276)
Total Accumulated Depreciation	(1,322,615)	(75,667)	-	(1,398,282)
Net Total Assets Being Depreciated	1,618,829	(75,667)	-	1,543,162

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 29,926
Public Safety	25,180
Public Works	60,876
Total depreciation expense, governmental activities	<u>\$ 115,982</u>
Business Activities:	
Water and Sewer Operations	<u>\$ 75,667</u>

As of September 30, 2022, the City did not have any active construction projects.

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

D. Interfund Receivables, Payables, and Transfers

Interfund transfers are made in accordance with the City's adopted budget or through approvals to meet unexpected operating needs.

The composition of interfund transfers as of September 30, 2022, is as follows:

	Transfers Out		
	General Fund	Water & Sewer Fund	Total
Transfers In:			
Service Fund	\$ 5,314	\$ -	\$ 5,314
Water & Sewer fund	719	-	719
General Fund	-	674,805	674,805
Total transfers out/in	<u>\$ 6,033</u>	<u>\$ 674,805</u>	<u>\$ 680,838</u>

Transfers between funds were for administrative expenditures.

E. Leases

The City is involved in a leasing arrangement for office equipment. With the implementation of GASB 87, Leases, effective the fiscal year ended September 30, 2022, all leases were analyzed and classified as either qualified or non-qualified leases, for both lessor and lessee positions. For the fiscal year 2022, the City did not have any qualified lessor leases.

The City has one lease for office equipment. Lease payables additions for the year ended September 30, 2022 were \$17,035 and lease payments for the year then ended were \$6,170. No new leases were entered into during the year. Monthly lease payments are \$520 with interest rates of 0.55%. Future annual lease payments as of September 30, 2022 are as follows:

	Governmental Activities		
	Principal	Interest	Total
2023	6,196	44	6,240
2024	4,669	11	4,680
Total	<u>10,865</u>	<u>55</u>	<u>10,920</u>

F. Long-Term Debt

The following is a summary of bond and certificates of obligation transactions of the City for the year ended September 30, 2022:

	GENERAL OBLIGATION
Bonds payable - October 1, 2021	\$ 460,000
Additions	-
Retirements	(111,000)
Bonds payable - September 30, 2022	<u>\$ 349,000</u>

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

F. Long-Term Debt – Continued

Original issue amounts currently outstanding are as follows:

Purpose	Interest Rates	Original Issue Amount
Governmental Activities:		
2012 General Obligation Refunding Bonds	2.40%	\$ 349,000
2019 Government Capital Corporation Note #8745	3.82%	84,025
2022 Government Capital Corporation Note #10001	4.75%	33,800
2022 Government Capital Corporation Note #9965	3.97%	159,674
2022 Government Capital Corporation Note #9931	3.97%	123,255
Total Governmental Activities Long-Term Debt		<u>\$ 749,754</u>

The funding requirements to amortize all bonds outstanding as of September 30, 2022, including interest, are as follows:

	Governmental Activities		
	Principal	Interest	Total
2023	114,000	8,376	122,376
2024	116,000	5,640	121,640
2025	119,000	2,856	121,856
Total	<u>349,000</u>	<u>16,872</u>	<u>365,872</u>

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

The funding requirements to amortize all notes outstanding as of September 30, 2022, including interest, are as follows:

	Governmental Activities		
	Principal	Interest	Total
2023	83,471	16,067	99,538
2024	86,771	12,767	99,538
2025	45,503	9,337	54,840
2026	47,362	7,477	54,839
2027	49,297	5,542	54,839
2028 - 2029	88,350	5,325	93,675
Total	<u>400,754</u>	<u>56,515</u>	<u>457,269</u>

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2022, was as follows:

	Beginning Balance 10/1/21	Additions	Reductions	Ending Balance 9/30/22	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 460,000	\$ -	\$ 111,000	\$ 349,000	\$ 114,000
Notes Payable	124,468	316,730	40,444	400,754	83,471
Other Postemployment Benefits	98,447	-	607	97,840	-
Lease liability	-	17,035	6,170	10,865	6,196
Compensated Absences	28,548	-	4,798	23,750	2,375
Governmental Activity Long-Term Liabilities	\$ 711,463	\$ 333,765	\$ 163,019	\$ 882,209	\$ 206,042
Business-type Activities:					
Other Postemployment Benefits	7,686	-	56	7,630	-
Compensated Absences	3,287	1,038	-	4,325	232
Business-type Activity Long-Term Liabilities	\$ 10,973	\$ 1,038	\$ 56	\$ 11,955	\$ 232

The liabilities listed above for compensated absences are liquidated by the General Fund or the Water and Sewer Fund, depending upon which fund records the employee's salary.

G. Restricted Assets

The balance of the restricted cash and investment accounts in the general fund and water and sewer fund recognized by the City is as follows:

<u>General Fund</u>	
Restricted for community center and parks	\$ 7,459
Restricted for police	25,364
Restricted for court	45,182
Restricted for debt	5,268
Restricted for fire	6,223
Restricted for library	27,577
Restricted for capital projects	20,005
Total Restricted Cash and Investments	\$ 137,078
<u>Enterprise Fund</u>	
Restricted for customer deposits	50,360
Total Restricted Cash and Investments	\$ 50,360

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 5: — DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City of Corrigan 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. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their 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:

	<u>Plan Year 2021</u>	<u>Plan Year 2020</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Year required for vesting	5	5
Service retirement eligibility (expressed as age/years of Service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

C. Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	45
Active employees	<u>27</u>
	<u><u>87</u></u>

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

D. Contributions

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

Employees for the City of Corrigan were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Corrigan were 4.22% and 3.72% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$46,534, and were less than the required contributions by \$162.

E. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50% to 11.50% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolio, GRS focused on the area between (1) arithmetic mean F.

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

Actuarial Assumptions – Continued

(aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Real Return	12.00%	7.22%
Real Estate	12.00%	6.85%
Absolute Return	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	<u>100.00%</u>	

G. 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.

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balance at 12/31/2020	\$ 1,793,573	\$ 1,885,135	\$ (91,562)
Changes for the year:			
Service cost	102,769	-	102,769
Interest	121,386	-	121,386
Change of benefit terms	-	-	-
Difference between expected and actual experience	(14,577)	-	(14,577)
Changes of assumptions	-	-	-
Contributions - employer	-	38,693	(38,693)
Contributions - employee	-	60,169	(60,169)
Net investment income	-	244,750	(244,750)
Benefit payments, including refunds of employee contributions	(93,291)	(93,291)	-
Administrative expense	-	(1,137)	1,137
Other changes	-	9	(9)
Net changes	<u>116,287</u>	<u>249,193</u>	<u>(132,906)</u>
Balance at 12/31/2021	<u>\$ 1,909,860</u>	<u>\$ 2,134,328</u>	<u>\$ (224,468)</u>

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

H. 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	\$ 2,993	\$ (224,468)	\$ (414,664)

I. 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.

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

For the year ended September 30, 2022, the City recognized pension income of \$14,144.

At September 30, 2022, the City reported deferred outflows of resource 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	\$ 491	\$ 8,503
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	30,377	155,508
Contributions subsequent to the measurement date	31,525	-
Total	\$ 62,393	\$ 164,011

\$31,525 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2022	(28,000)
2023	(55,221)
2024	(26,422)
2025	(23,500)
2026	-
Thereafter	-
	\$ (133,143)

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 6: — POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The City of Corrigan participates in a single-employer defined group-term life insurance plan. Texas Municipal Retirement System (TMRS) administers this defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). Like the Defined Benefit Pension Plan, the OPEB Plan is under 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.

This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

B. Benefits Provided

Payments from this fund are similar to group term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of \$7,500.

C. Employee Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	3
Active employees	27
	43

D. Contributions

The member cities contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree life insurance during employee's entire careers.

As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

For calendar year 2021, the total SDB contributions rate for the City was 0.29%, while the retiree portion of the SDB contribution was 0.18%. For calendar year 2022, the total SDB contributions rate for the City was 0.35%, while the retiree portion of the SDB contribution was 0.23%. The City's contributions for the year ended September 30, 2022, were \$2,930 for the retiree portion, and \$4,517 for the total SDB rate. Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

**CITY OF CORRIGAN, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED SEPTEMBER 30, 2022**

E. Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.50% to 11.50% including inflation
Discount rate *	1.84%
Retiree's share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

The actuarial cost method being used is known as the Entry Age Normal Method. This method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation through their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the City. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

F. Actuarial Assumptions - Continued

The contribution rate for the Supplemental Death Benefit is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Fund, the SDB rate for retiree coverage is currently one-third of the total term cost. Beginning January 2021, the SDB rate for retirees will be based on the full term cost.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

G. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2020	\$ 106,133
Changes for the year:	
Service cost	5,897
Interest	2,160
Change of benefit terms	-
Difference between expected and actual experience	(9,416)
Changes of assumptions or other inputs	2,862
Benefit payments	(2,166)
Net changes	(663)
Balance at 12/31/2021	\$ 105,470

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 1.84%, would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB Liability	\$ 126,135	\$ 105,470	\$ 88,953

J. OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of \$15,649.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,416
Changes in assumptions and other inputs	13,881	-
Contributions made subsequent to the measurement date	2,285	-
Total	\$ 16,166	\$ 10,416

CITY OF CORRIGAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2022

J. OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB – Continued

The City had \$2,285 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Year Ended December 31	
2022	\$	2,636
2023		2,009
2024		154
2025		(1,305)
2026		(29)
Thereafter		-
	\$	3,465

NOTE 7: — COMMITMENTS

Effective April 1, 2016, the City entered into a contract with Piney Woods Sanitation, Inc. for the collection of garbage for the City's residents. The contract period under the agreement ends March 31, 2023 and calls for a five year extension ending March 31, 2028.

On February 25, 2016, the City executed a contract with Corrigan OSB, LLC to provide water and sewer services to a new plant located outside the City's distribution area. Under the contract, the customer will pay for all costs to extend the City's distribution system to its plant site. The contract, which is for an initial 5 year period, calls for five year renewal options and calls for a base rate fee of \$7,200 per month and usage costs as set forth in the agreement.

Effective August 2018, the City entered into a contract with ETX IT Solutions for remote helpdesk and vendor management of the City's IT networks. The contract period under the agreement for a period of one year, to be renewed annually.

NOTE 8: — RISK MANAGEMENT

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

NOTE 9: — CONTINGENT LIABILITIES

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

NOTE 10: — SUBSEQUENT EVENTS

The management of the City has evaluated subsequent events through July 14, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CORRIGAN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FISCAL YEAR ENDED SEPTEMBER 30, 2022

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021
Total Pension Liability	\$ 42,005	\$ 48,310	\$ 63,205	\$ 62,064	\$ 93,191	\$ 98,691	\$ 94,153	\$ 102,769
Service Cost	82,808	84,987	88,217	94,859	100,716	105,932	112,981	121,386
Interest (on the Total Pension Liability)	(2,410)	2,003	(471)	36,268	(21,927)	(10,095)	3,151	(14,577)
Changes in benefit terms	-	36,544	-	9,142	-	6,983	-	-
Difference between expected and actual results	-	(94,023)	(78,906)	(97,607)	(92,107)	(102,799)	(86,842)	(93,291)
Change of assumptions	-	77,821	72,045	104,726	79,873	98,712	123,443	116,287
Benefit payments, including refunds of employee contributions	(94,825)	1,236,953	1,314,774	1,386,819	1,491,545	1,571,418	1,670,130	1,793,573
Net Change in Total Pension Liability	27,578	77,821	72,045	104,726	79,873	98,712	123,443	116,287
Total Pension Liability - Beginning	1,209,375	1,236,953	1,314,774	1,386,819	1,491,545	1,571,418	1,670,130	1,793,573
Total Pension Liability - Ending (a)	\$ 1,236,953	\$ 1,314,774	\$ 1,386,819	\$ 1,491,545	\$ 1,571,418	\$ 1,670,130	\$ 1,793,573	\$ 1,909,860
Plan Fiduciary Net Position								
Contributions - Employer	\$ 16,447	\$ 23,536	\$ 33,728	\$ 46,560	\$ 43,113	\$ 42,456	\$ 43,909	\$ 38,693
Contributions - Employee	39,314	40,258	48,248	49,319	52,650	54,345	55,254	60,169
Net Investment Income	73,169	1,936	86,644	190,000	(46,673)	234,111	132,155	244,750
Benefit payments, including refunds of employee contributions	(94,825)	(94,023)	(78,906)	(97,607)	(92,107)	(102,799)	(86,842)	(93,291)
Administrative Expense	(764)	(1,180)	(979)	(985)	(902)	(1,323)	(855)	(1,137)
Other	(63)	(58)	(53)	(50)	(47)	(40)	(33)	9
Net Change in Plan Fiduciary Net Position	33,278	(29,531)	88,682	187,237	(43,966)	226,750	143,588	249,193
Plan Fiduciary Net Position - Beginning	1,279,097	1,312,375	1,282,844	1,371,526	1,558,763	1,514,797	1,741,547	1,885,135
Plan Fiduciary Net Position - Ending (b)	\$ 1,312,375	\$ 1,282,844	\$ 1,371,526	\$ 1,558,763	\$ 1,514,797	\$ 1,741,547	\$ 1,885,135	\$ 2,134,328
Net Pension Liability (Asset) - Ending (a)-(b)	\$ (75,422)	\$ 31,930	\$ 15,293	\$ (67,218)	\$ 56,621	\$ (71,417)	\$ (91,562)	\$ (224,468)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	106.10%	97.57%	98.90%	104.51%	96.40%	104.28%	105.11%	111.75%
Covered Payroll	\$ 786,272	\$ 805,161	\$ 964,996	\$ 978,927	\$ 1,053,001	\$ 1,086,906	\$ 1,105,083	\$ 1,203,589
Net Pension Liability as a Percentage of Covered Payroll	-9.59%	3.97%	1.58%	-6.87%	5.38%	-6.57%	-8.29%	-18.65%

Notes to Schedule:
 This schedule will present 10 years information when it becomes available.

**CITY OF CORRIGAN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution	\$ 10,855	\$ 8,856	\$ 7,269	\$ 13,303	\$ 36,826	\$ 40,920	\$ 43,406	\$ 41,013	\$ 46,696
Contributions in relation to the actuarially determined contributions	10,855	8,856	37,556	44,603	44,805	40,920	43,406	41,344	46,534
Contribution deficiency (Excess)	\$ -	\$ -	\$ (30,287)	\$ (31,300)	\$ (7,979)	\$ -	\$ -	\$ (331)	\$ 162
Covered payroll	\$ 798,196	\$ 819,981	\$ 845,243	\$ 962,988	\$ 1,048,010	\$ 1,048,078	\$ 1,104,127	\$ 1,147,477	\$ 1,352,733
Contributions as a percentage of covered payroll	1.36%	1.08%	4.44%	4.63%	4.28%	3.90%	3.93%	3.60%	3.44%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.

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

Other Information: There were no benefit changes during the year.

CITY OF CORRIGAN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
SUPPLEMENTAL DEATH BENEFITS PLAN
FISCAL YEAR ENDED SEPTEMBER 30, 2022

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021
Total OPEB liability					
Service Cost	\$ 3,622	\$ 4,317	\$ 3,152	\$ 3,757	\$ 5,897
Interest	2,438	2,514	2,793	2,550	2,160
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual results	-	(1,082)	(2,180)	(3,035)	(9,416)
Change of assumptions or other inputs	5,693	(5,122)	14,141	12,394	2,862
Benefit payments	(685)	(632)	(761)	(774)	(2,166)
Net Change in Total OPEB Liability	11,068	(5)	17,145	14,892	(663)
Total OPEB Liability - Beginning	63,033	74,101	74,096	91,241	106,133
Total OPEB Liability - Ending (a)	<u>\$ 74,101</u>	<u>\$ 74,096</u>	<u>\$ 91,241</u>	<u>\$ 106,133</u>	<u>\$ 105,470</u>
Covered Payroll	\$ 978,927	\$ 1,053,001	\$ 1,086,906	\$ 1,105,083	\$ 1,203,389
Total OPEB Liability as a Percentage of Covered Payroll	7.57%	7.04%	8.39%	9.60%	8.76%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Rates:

Actuarial Cost Method Entry Age Normal

Supplemental Death Benefit Contribution rate is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees.

Retiree's share of benefit-related costs \$0.00

Inflation 2.50%

Salary Increases 3.50% to 11.50% including inflation

Discount Rate 1.84%

Administrative Expenses All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 75.

Mortality Rates - Service Retirees 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality Rates - Disabled Retirees 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled male and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information: The Supplemental Death Benefits Fund is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

OTHER REPORTS

**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**

Independent Auditors' Report

To the City Council
City of Corrigan, Texas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corrigan, Texas as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Corrigan, Texas' basic financial statements, and have issued our report thereon dated July 14, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Corrigan, Texas' internal control over financial reporting (internal control) to determine the 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 of Corrigan, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Corrigan, Texas' internal control.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
July 14, 2023