

**CITY OF CORRIGAN, TEXAS**  
**BASIC FINANCIAL STATEMENTS and**  
**REQUIRED SUPPLEMENTARY and**  
**OTHER INFORMATION**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**Gollob Morgan Peddy PC**  
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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corrigan, Texas, as of and for the year ended September 30, 2020, and the relates notes to the financial statements, which collectively comprise the City of Corrigan, Texas' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corrigan, Texas, as of September 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and schedules of changes in pension/OPEB liabilities on pages 3-8 and 47-49 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standard*, as we have also issued our report dated August 2, 2021, on our consideration of the 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 result of the 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  
August 2, 2021

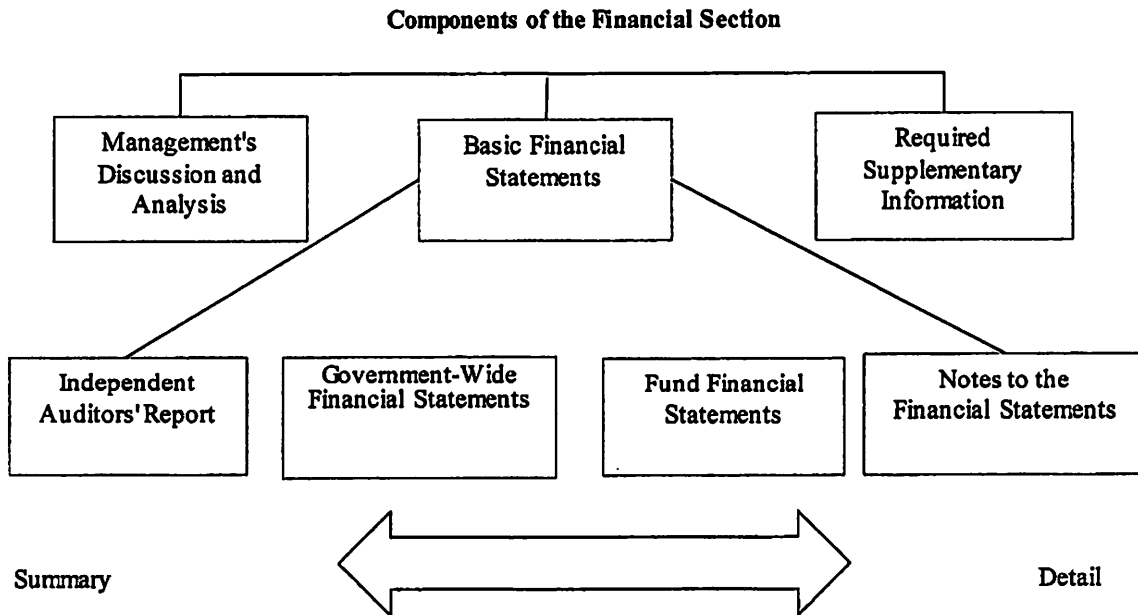
**CITY OF CORRIGAN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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, 2020. 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 decreased by \$235,209 during the fiscal year. Of this amount, net pension asset increased by \$71,417 and current assets decreased by \$154,104 while capital assets decreased by \$136,520.
- The City's long-term liabilities decreased by \$27,731 during the current fiscal year. Total debt outstanding at year end was \$913,817; \$568,000 in bond obligations, \$216,959 in capital lease obligations, \$91,241 in OPEB liabilities, and \$37,617 in compensated absences.
- The City's overall assets exceeded its total liabilities by \$2,987,881 (net position) at September 30, 2020.
- Overall revenues increased by \$21,125 from the prior year, however, the increase in grant revenues made this possible as they increased \$109,973.
- Overall expenses exceeded revenues (or a decrease in net position) by \$99,952. Net position decreased by \$224,935 in the governmental funds and increased by \$124,983 in the proprietary fund.

**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, 2020**

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, 2020**

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 11-14 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 16-20 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 21-46 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 \$2,987,881 as of September 30, 2020. This compares with \$3,202,833 from the prior fiscal year. The largest portion of the City's net position, 2,994,152, 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ (32,134)	\$ 290,881	\$ 357,206	\$ 188,295	\$ 325,072	\$ 479,176
Restricted assets	150,323	166,685	50,360	50,000	200,683	216,685
Net pension asset	68,952	-	2,465	-	71,417	-
Capital assets, net	2,062,183	2,083,269	1,716,928	1,832,362	3,779,111	3,915,631
<b>Total Assets</b>	<b>2,249,324</b>	<b>2,540,835</b>	<b>2,126,959</b>	<b>2,070,657</b>	<b>4,376,283</b>	<b>4,611,492</b>
Deferred outflows	57,937	94,698	13,787	17,080	71,724	111,778
Current liabilities	284,580	442,991	165,220	122,795	449,800	565,786
Non-current liabilities	905,185	926,656	8,632	14,892	913,817	941,548
<b>Total Liabilities</b>	<b>1,189,765</b>	<b>1,369,647</b>	<b>173,852</b>	<b>137,687</b>	<b>1,363,617</b>	<b>1,507,334</b>
Deferred inflows	88,582	12,037	7,927	1,066	96,509	13,103
Net investment in capital assets	1,277,224	1,102,942	1,716,928	1,832,362	2,994,152	2,935,304
Restricted	183,839	210,401	50,360	50,000	234,199	260,401
Unrestricted	(432,149)	(59,494)	191,679	66,622	(240,470)	7,128
<b>Total Net Position</b>	<b>\$ 1,028,914</b>	<b>\$ 1,253,849</b>	<b>\$ 1,958,967</b>	<b>\$ 1,948,984</b>	<b>\$ 2,987,881</b>	<b>\$ 3,202,833</b>

**CITY OF CORRIGAN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

A portion of the City's net position, \$234,199 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$(240,470), may be used to meet the City's ongoing obligation to citizens or creditors.

The City's total net position decreased by \$92,336 during the current fiscal year, as compared to an overall decrease of \$208,134 in the prior year.

**City of Corrigan's Statement of Activities**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,347,916	\$ 1,538,774	\$ 896,747	\$ 934,756	\$ 2,244,663	\$ 2,473,530
Grant revenue	148,216	38,243	-	-	148,216	38,243
General revenues:						
Property taxes	418,037	403,174	-	-	418,037	403,174
Sales tax	371,067	365,514	-	-	371,067	365,514
Franchise fees	187,748	172,986	-	-	187,748	172,986
Interest revenue	707	678	-	-	707	678
Library	3,968	3,892	-	-	3,968	3,892
Other	78,172	59,805	86,369	-	164,541	59,805
<b>Total Revenues</b>	<b>2,555,831</b>	<b>2,583,066</b>	<b>983,116</b>	<b>934,756</b>	<b>3,538,947</b>	<b>3,517,822</b>
<b>Expenses:</b>						
General government	815,139	844,937	-	-	815,139	844,937
Public safety	1,720,545	1,701,374	-	-	1,720,545	1,701,374
Public works	237,340	232,099	-	-	237,340	232,099
Interest on long-term debt	19,648	23,348	-	-	19,648	23,348
Water, sewer, and sanitation	-	-	846,227	899,566	846,227	899,566
Other	-	-	-	24,632	-	24,632
<b>Total Expenses</b>	<b>2,792,672</b>	<b>2,801,758</b>	<b>846,227</b>	<b>924,198</b>	<b>3,638,899</b>	<b>3,701,324</b>
<b>Transfers</b>	<b>11,906</b>	<b>(59,545)</b>	<b>(11,906)</b>	<b>59,545</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(224,935)</b>	<b>(278,237)</b>	<b>124,983</b>	<b>70,103</b>	<b>(99,952)</b>	<b>(208,134)</b>
Net Position beginning of year, as previously stated	1,253,849	1,532,086	1,948,984	1,878,881	3,202,833	3,410,967
Prior period adjustment	-	-	(115,000)	-	(115,000)	-
Net Position beginning of year, as restated	1,253,849	1,532,086	1,833,984	1,878,881	3,087,833	3,410,967
<b>Net Position, end of year</b>	<b>\$ 1,028,914</b>	<b>\$ 1,253,849</b>	<b>\$ 1,958,967</b>	<b>\$ 1,948,984</b>	<b>\$ 2,987,881</b>	<b>\$ 3,202,833</b>

For the year ended September 30, 2020, revenues from governmental activities totaled \$2,555,831. Overall governmental revenues decreased by 1%. This decrease is mainly due to a decrease in fines collected during the year which was a direct affect from the COVID-19 pandemic.

For the year ended September 30, 2020, expenses for governmental activities totaled \$2,792,672, which is a decrease of \$9,086 from the prior year. This decrease can be attributed primarily to decreases in general government expenditures.

For the year ended September 30, 2020, revenues for business-type activities increased by \$48,360 which comes from a gain on sale of assets described in Note 10 of the financial statements. Overall, expenses decreased by \$77,971, which can be attributed to an decrease in water operation expenses.



**CITY OF CORRIGAN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**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 \$(190,491), of which \$183,839 is restricted for various purposes. There was a decrease in the combined fund balances of \$378,999 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 (\$374,330), while total fund balances reached (\$216,337). 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 \$382,987 for the year, primarily due to a large decrease in fines which resulted from COVID-19.

The debt service fund has a total fund balance of \$25,846, all of which is restricted for the payment of debt service. The net increase in fund balance for the current year was \$3,988.

*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 \$191,679. Overall, net position for the fund increased by \$124,983. 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 a planned decrease in budgeted fund balance in the amount of \$346,706 in the general fund. Its actual decrease on a budgetary basis came to be \$571,910.

Actual general fund revenues were more than budgeted revenues by \$337,468 for the year. This increase includes a positive variance of \$382,998 in fines and forfeitures.

There was a net variance in actual governmental expenditures to budgeted expenditures of (\$562,707).

**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, 2020, amounts to \$2,994,152, 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 \$116,474. The total net decrease in the City's investment in capital assets for the current year was \$137,560.

**CITY OF CORRIGAN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 258,751	\$ 258,751	\$ 31,000	\$ 31,000	\$ 289,751	\$ 289,751
Buildings and improvements	427,791	444,348	-	-	427,791	444,348
Machinery and equipment	297,622	277,247	-	-	297,622	277,247
Water and sewer system	-	-	1,684,888	1,801,362	1,684,888	1,801,362
Infrastructure	1,078,019	1,102,923	-	-	1,078,019	1,102,923
Total	<u>\$ 2,062,183</u>	<u>\$ 2,083,269</u>	<u>\$ 1,715,888</u>	<u>\$ 1,832,362</u>	<u>\$ 3,778,071</u>	<u>\$ 3,915,631</u>

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 \$913,817 in bonds and other long-term liabilities outstanding after principal payments of \$195,368 were made against debt during the year.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 568,000	\$ 674,000	\$ -	\$ -	\$ 568,000	\$ 674,000
Capital leases	216,959	306,327	-	-	216,959	306,327
Net pension liability	-	48,553	-	8,068	-	56,621
Other postemployment benefits	84,924	69,190	6,317	4,906	91,241	74,096
Compensated absences	35,302	26,617	2,315	2,131	37,617	28,748
Total	<u>\$ 905,185</u>	<u>\$ 1,124,687</u>	<u>\$ 8,632</u>	<u>\$ 15,105</u>	<u>\$ 913,817</u>	<u>\$ 1,139,792</u>

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 2021 will allow the City to maintain services and employee compensation and decrease its tax rate to \$0.4200/\$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, 2020**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 80,280	\$ -	\$ 80,280
Receivables (net of allowance for doubtful accounts)	175,092	69,700	244,792
Internal balances	(287,506)	287,506	-
Restricted Assets:			
Cash and cash equivalents	100,323	10,360	110,683
Investments	50,000	40,000	90,000
Capital Assets (net of accumulated depreciation):			
Land	258,751	31,000	289,751
Buildings and improvements	427,791	-	427,791
Infrastructure	1,078,019	-	1,078,019
Machinery and equipment	297,622	-	297,622
Water and sewer system	-	1,685,928	1,685,928
Net pension asset	68,952	2,465	71,417
<b>Total Assets</b>	<b>2,249,324</b>	<b>2,126,959</b>	<b>4,376,283</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	49,631	13,086	62,717
Deferred outflows related to OPEB	8,306	701	9,007
<b>Total Deferred Outflows of Resources</b>	<b>57,937</b>	<b>13,787</b>	<b>71,724</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	284,580	116,807	401,387
Customer deposits	-	48,413	48,413
Non-current liabilities:			
Due within one year	204,021	232	204,253
Due in more than one year	616,240	2,083	618,323
Total OPEB liability	84,924	6,317	91,241
<b>Total Liabilities</b>	<b>1,189,765</b>	<b>173,852</b>	<b>1,363,617</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	88,386	7,796	96,182
Deferred inflows related to OPEB	196	131	327
<b>Total Deferred Inflows of Resources</b>	<b>88,582</b>	<b>7,927</b>	<b>96,509</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,277,224	1,716,928	2,994,152
Restricted for:			
Community center and parks	12,766	-	12,766
Police	21,980	-	21,980
Court	15,535	-	15,535
Debt	47,781	-	47,781
Fire	8,199	-	8,199
Library	27,578	-	27,578
Capital projects	50,000	-	50,000
Customer deposits	-	50,360	50,360
Unrestricted	(432,149)	191,679	(240,470)
<b>Total Net Position</b>	<b>\$ 1,028,914</b>	<b>\$ 1,958,967</b>	<b>\$ 2,987,881</b>

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, 2020**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>PRIMARY GOVERNMENT:</b>						
Governmental activities:						
General government	\$ 815,139	\$ -	\$ 148,216	\$ (666,923)	\$ -	\$ (666,923)
Public safety	1,720,545	1,347,916	-	(372,629)	-	(372,629)
Public works	237,340	-	-	(237,340)	-	(237,340)
Interest on debt	19,648	-	-	(19,648)	-	(19,648)
Total governmental activities	<u>2,792,672</u>	<u>1,347,916</u>	<u>148,216</u>	<u>(1,296,540)</u>	<u>-</u>	<u>(1,296,540)</u>
Business-type activities:						
Water and sewer	846,227	896,747	-	-	50,520	50,520
Total business-type activities	<u>846,227</u>	<u>896,747</u>	<u>-</u>	<u>-</u>	<u>50,520</u>	<u>50,520</u>
<b>Total primary government</b>	<b>\$ 3,638,899</b>	<b>\$ 2,244,663</b>	<b>\$ 148,216</b>	<b>\$ (1,296,540)</b>	<b>\$ 50,520</b>	<b>\$ (1,246,020)</b>
General revenues:						
Taxes:						
Property taxes				418,037	-	418,037
Sales taxes				371,067	-	371,067
Franchise fees				187,748	-	187,748
Interest revenue				707	-	707
Library				3,968	-	3,968
Gain (loss) on sale of assets				-	67,041	67,041
Other				78,172	19,328	97,500
Transfers				11,906	(11,906)	-
Total general revenues and transfers				<u>1,071,605</u>	<u>74,463</u>	<u>1,146,068</u>
Change in net position				<u>(224,935)</u>	<u>124,983</u>	<u>(99,952)</u>
Net position - beginning of year (as previously stated)				1,253,849	1,948,984	3,202,833
Prior period adjustment				-	(115,000)	(115,000)
Net position - beginning of year (as restated)				1,253,849	1,833,984	3,087,833
Net position - end of year				<u>\$ 1,028,914</u>	<u>\$ 1,958,967</u>	<u>\$ 2,987,881</u>

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

CITY OF CORRIGAN, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

	GENERAL	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 80,280	\$ -	\$ 80,280
Receivables, net	165,828	9,264	175,092
Restricted assets:			
Cash and cash equivalents	74,477	\$ 25,846	100,323
Investments	50,000	-	50,000
<b>Total Assets</b>	<b>370,585</b>	<b>35,110</b>	<b>405,695</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	280,108	-	280,108
Due to other funds	287,506	-	287,506
<b>Total Liabilities</b>	<b>567,614</b>	<b>-</b>	<b>567,614</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	19,308	9,264	28,572
<b>Total Deferred Inflows of Resources</b>	<b>19,308</b>	<b>9,264</b>	<b>28,572</b>
<b>FUND BALANCES</b>			
Restricted for:			
Community center and parks	12,766	-	12,766
Police	21,980	-	21,980
Court	15,535	-	15,535
Debt	21,935	25,846	47,781
Fire	8,199	-	8,199
Library	27,578	-	27,578
Capital projects	50,000	-	50,000
Unassigned	(374,330)	-	(374,330)
<b>Total Fund Balances</b>	<b>(216,337)</b>	<b>25,846</b>	<b>(190,491)</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 370,585</b>	<b>\$ 35,110</b>	<b>\$ 405,695</b>

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

CITY OF CORRIGAN, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

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

Total fund balances governmental funds (Exhibit 3 page 1)	\$ (190,491)
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	2,062,183
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	28,572
Accrued interest payable at year end	(4,474)
Net pension asset reflected under GASB 68 at year end	68,952
Net OPEB liability reflected under GASB 75 at year end	(84,924)
Deferred outflows of funds related to pension and OPEB activities	57,937
Deferred inflows of funds related to pension and OPEB activities	(88,582)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(820,259)</u>
Net position of governmental activities	<u>\$ 1,028,914</u>

**CITY OF CORRIGAN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	GENERAL	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>			
Property taxes	\$ 291,873	\$ 126,164	\$ 418,037
Sales taxes	371,067	-	371,067
Franchise fees	187,748	-	187,748
Fines and forfeitures	1,331,399	-	1,331,399
Library	3,968	-	3,968
Interest revenue	707	-	707
Charges for service	16,517	-	16,517
Grant revenue	148,216	-	148,216
Other revenue	78,172	-	78,172
	<u>2,429,667</u>	<u>126,164</u>	<u>2,555,831</u>
Total Revenues			
<b>EXPENDITURES</b>			
General government:			
Administration	425,260	-	425,260
Library	133,149	-	133,149
Community Center	5,099	-	5,099
Court	189,749	-	189,749
Public safety:			
Police	1,627,922	-	1,627,922
Fire	26,861	-	26,861
Public works	221,588	-	221,588
Capital outlay	102,092	-	102,092
Debt:			
Principal payments	89,368	106,000	195,368
Interest and fiscal agent charges	3,472	16,176	19,648
	<u>2,824,560</u>	<u>122,176</u>	<u>2,946,736</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	(394,893)	3,988	(390,905)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	11,906	-	11,906
	<u>11,906</u>	<u>-</u>	<u>11,906</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	(382,987)	3,988	(378,999)
Fund Balance, October 1, 2019	166,650	21,858	188,508
Fund Balance, September 30, 2020	<u>\$ (216,337)</u>	<u>\$ 25,846</u>	<u>\$ (190,491)</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, 2020**

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

Net change in fund balances - total governmental funds	\$	(378,999)
<p>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.</p>		
		(21,086)
<p>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.</p>		
		186,683
<p>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.</p>		
		-
<p>Changes in GASB 68 pension expense due to changes in the current period deferred outflow of resources and the deferred inflow of resources</p>		
		(4,580)
<p>Changes in GASB 75 OPEB expense due to changes in the current period deferred outflow of resources and the deferred inflow of resources</p>		
		<u>(6,953)</u>
Change in net position of governmental activities	\$	<u><u>(224,935)</u></u>

**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, 2020**

	ORIGINAL AND FINAL BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Property taxes	\$ 299,153	\$ 291,873	\$ (7,280)
Sales taxes	380,000	363,071	(16,929)
Franchise fees	180,000	187,748	7,748
Fines and forfeitures	960,000	1,342,998	382,998
Library	5,000	3,968	(1,032)
Interest revenue	500	707	207
Charges for service	19,894	16,517	(3,377)
Other revenue	73,591	48,724	(24,867)
<b>Total Revenues</b>	<b>1,918,138</b>	<b>2,255,606</b>	<b>337,468</b>
<b>EXPENDITURES</b>			
General government:			
Administration	287,658	331,842	(44,184)
Library	127,012	134,810	(7,798)
Community Center	-	5,099	(5,099)
Court	186,969	191,111	(4,142)
Water & Sewer	-	50,382	(50,382)
Public safety:			
Police	1,239,899	1,636,986	(397,087)
Fire	37,626	27,612	10,014
Public works	283,440	254,777	28,663
Capital outlay	102,240	102,092	148
Debt:			
Principal payments	-	89,368	(89,368)
Interest and fiscal agent charges	-	3,472	(3,472)
<b>Total Expenditures</b>	<b>2,264,844</b>	<b>2,827,551</b>	<b>(562,707)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(346,706)	(571,945)	(225,239)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	35	35
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>35</b>	<b>35</b>
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	(346,706)	(571,910)	(225,204)
Budget Basis to GAAP Basis Adjustment (Note A)	-	188,923	188,923
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	(346,706)	(382,987)	(36,281)
Fund Balance, October 1, 2019	346,706	166,650	(180,056)
Fund Balance, September 30, 2020	<u>\$ -</u>	<u>\$ (216,337)</u>	<u>\$ (216,337)</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	\$ (3,603)
Adjustments made to record the accrual of various expenditures	180,585
Transfers of expenditures paid in other funds	11,941
<b>Net Change in Budget Basis Presentation and GAAP Basis Presentation</b>	<u>\$ 188,923</u>

CITY OF CORRIGAN, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2020

WATER AND  
SEWER FUND

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ -
Accounts receivable (net)	69,700
Due from other funds	287,506
	<hr/>
Total Current Assets	357,206
	<hr/>
Restricted Current Assets:	
Restricted cash and cash equivalents	10,360
Restricted investments	40,000
	<hr/>
Total Restricted Current Assets	50,360
	<hr/>
Capital Assets:	
Land	31,000
Water and sewer system	2,919,672
Less: Accumulated depreciation	(1,233,744)
	<hr/>
Total Capital Assets Net of Accumulated Depreciation	1,716,928
	<hr/>
Other Assets:	
Net pension asset	2,465
	<hr/>
Total Assets	2,126,959
	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	13,086
Deferred outflows related to OPEB	701
	<hr/>
Total Deferred Outflows of Resources	13,787
	<hr/>

(continued)

CITY OF CORRIGAN, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2020

	<u>WATER AND SEWER FUND</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 116,807
Compensated absences	232
Customer deposits	<u>48,413</u>
Total Current Liabilities	<u>165,452</u>
Noncurrent Liabilities:	
Compensated absences	2,083
Total OPEB obligation	<u>6,317</u>
Total Noncurrent Liabilities	<u>8,400</u>
Total Liabilities	<u>173,852</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	7,796
Deferred inflows related to OPEB	<u>131</u>
Total Deferred Inflows of Resources	<u>7,927</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,716,928
Restricted for customer deposits	50,360
Unrestricted	<u>191,679</u>
Total Net Position	<u>\$ 1,958,967</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, 2020**

	<b>WATER AND SEWER FUND</b>
<b>OPERATING REVENUES</b>	
Water sales	\$ 360,835
Sewer charges	236,708
Garbage fees	278,011
Charges for other services	21,193
	896,747
<b>OPERATING EXPENSES</b>	
Water operations	241,340
Sewer operations	249,133
Sanitation operations	262,295
Depreciation	93,459
	846,227
Operating Income (Loss)	50,520
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Gain/(loss) on sale of capital assets	67,041
Other income (expense)	19,328
	86,369
<b>INCOME BEFORE TRANSFERS</b>	136,889
Transfers out	(11,906)
Change in Net Position	124,983
Net Position, October 1, 2019, as originally stated	1,948,984
Prior period adjustment	(115,000)
Net Position, October 1, 2019, as restated	1,833,984
Net Position, September 30, 2020	\$ 1,958,967

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, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers and users	\$ 927,919
Cash paid to suppliers for goods and services	(515,755)
Cash paid to employees for services	<u>(181,329)</u>
Net cash provided by operating activities	<u>230,835</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:**

Net advances from other funds	(202,664)
Transfers out	<u>(11,906)</u>
Net cash used in non-capital financing activities	<u>(214,570)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Purchases or construction of capital assets	(24,943)
Purchases of investments	<u>(10,000)</u>
Net cash used in capital and related financing activities	<u>(34,943)</u>

Net decrease in cash	(18,678)
Cash, beginning of period	<u>29,038</u>
Cash, end of period	<u><u>\$ 10,360</u></u>

**Reconciliation of cash to Exhibit 7:**

Cash - current asset	\$ -
Cash - temporarily restricted	10,360
Total cash, end of period	<u><u>\$ 10,360</u></u>

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, 2020**

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

Operating Income	\$	50,520
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		93,459
Other expenses		19,328
Changes in Operating Assets and Liabilities:		
Decrease (increase) in accounts receivable		24,715
Decrease (increase) in deferred outflows of resources		3,293
Increase (decrease) in accounts payable		35,271
Increase (decrease) in customer deposits		6,457
Increase (decrease) in compensated absences		1,411
Increase (decrease) in net pension obligation/asset		184
Increase (decrease) in other postemployment benefit obligation		(10,533)
Increase (decrease) in deferred inflows of resources		6,730
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$</b>	<b>230,835</b>

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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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 1<sup>st</sup> of the following year. On July 1<sup>st</sup> 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 of 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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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 is evaluating the impact of this statement on its financial statements.

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 is evaluating the impact of this statement on its financial statements.

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 is evaluating the impact of this statement on its financial statements.

**CITY OF CORRIGAN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**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 \$2,062,183 difference are as follows:

Capital assets, October 1, 2019, net of accumulated depreciation	\$ 2,083,269
Capital asset additions, net of retirements	102,092
Depreciation of capital assets, net of retirements	<u>(123,178)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 2,062,183</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 \$(820,259) difference are as follows:

Long-term liabilities, October 1, 2019	\$ (1,006,944)
Principal paid on debt in current year	195,368
Decrease in compensated absences	<u>(8,683)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (820,259)</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 \$(21,086) difference are as follows:

Capital outlay expenditures	\$ 102,092
Depreciation expense	<u>(123,178)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (21,086)</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 \$186,683 difference are as follows:

Principal payments on debt	\$ 195,368
Rounding	(2)
Change in compensated absences	<u>(8,683)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 186,683</u>



**CITY OF CORRIGAN, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**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, 2020, the general 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, 2020 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Primary Government	
Cash and cash equivalents	\$ 80,280
Restricted cash and cash equivalents	110,683
Investments	<u>90,000</u>
Total cash and investments	<u>\$ 280,963</u>
Cash on hand	\$ 1,300
Certificates of deposit	127,578
Savings and checking accounts	<u>152,085</u>
Total cash and investments	<u>\$ 280,963</u>

As of September 30, 2020, the carrying amount of the City's deposits was \$279,663 and the total bank balance was \$310,327. 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, 2020, 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, 2020**

**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, 2020 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	973,196	5,150	-	978,346
Machinery and Equipment	1,140,430	96,942	-	1,237,372
Infrastructure	1,995,207	-	-	1,995,207
Total Capital Assets, Being Depreciated	4,108,833	102,092	-	4,210,925
Less Accumulated Depreciation For:				
Buildings and Improvements	(528,848)	(21,707)	-	(550,555)
Machinery and Equipment	(863,183)	(76,567)	-	(939,750)
Infrastructure	(892,284)	(24,904)	-	(917,188)
Total Accumulated Depreciation	(2,284,315)	(123,178)	-	(2,407,493)
Net Total Assets Being Depreciated	1,824,518	(21,086)	-	1,803,432
Governmental Activities Capital Assets, Net	<u>\$ 2,083,269</u>	<u>\$ (21,086)</u>	<u>\$ -</u>	<u>\$ 2,062,183</u>

**CITY OF CORRIGAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**C. Capital Assets – Continued**

<u>PRIMARY GOVERNMENT</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<b>Business-Type Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 31,000	\$ -	\$ -	\$ 31,000
Total Capital Assets, Not Being Depreciated	31,000	-	-	31,000
<b>Capital Assets, Being Depreciated</b>				
Buildings and Improvements	2,118,463	-	-	2,118,463
Machinery and Equipment	935,100	25,984	(159,875)	801,209
Total Capital Assets, Being Depreciated	3,053,563	25,984	(159,875)	2,919,672
<b>Less Accumulated Depreciation For:</b>				
Buildings and Improvements	(504,087)	(42,195)	-	(546,282)
Machinery and Equipment	(748,114)	(51,264)	111,916	(687,462)
Total Accumulated Depreciation	(1,252,201)	(93,459)	111,916	(1,233,744)
Net Total Assets Being Depreciated	1,801,362	(67,475)	(47,959)	1,685,928
Business-Type Activities Capital Assets, Net	<u>\$ 1,832,362</u>	<u>\$ (67,475)</u>	<u>\$ (47,959)</u>	<u>\$ 1,716,928</u>

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

<b>Governmental Activities:</b>	
General Government	\$ 54,935
Public Safety	54,138
Public Works	14,105
Total depreciation expense, governmental activities	<u>\$ 123,178</u>
<b>Business Activities:</b>	
Water and Sewer Operations	<u>\$ 93,459</u>

As of September 30, 2020, the City did not have any active construction projects.

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of September 30, 2020, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer Fund	General Fund	\$ 287,506

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

**CITY OF CORRIGAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**D. Interfund Receivables, Payables, and Transfers – Continued**

The composition of interfund transfers as of September 30, 2020, is as follows:

	<u>Transfers In</u>
	General Fund
<u>Transfers Out:</u>	
Water & Sewer Fund	\$ 11,906

Transfers between funds were for administrative expenditures.

**E. Leases**

Operating Leases

The City leased four copy machines in the following departments: City Hall, Library, Court, and Police. Commitments under operating lease agreements for equipment provided for minimum future rental payments as of September 30, 2020, as follows:

Year Ending September 30		
2021	\$	7,486
2022		7,486
2023		6,655
2024		2,160
2025		-
		-
Total amount of minimum lease payments	\$	23,788
Rental Expenditures in 2020	\$	11,821

Capital Leases

The City has entered into various lease agreements as the lessee for financing the acquisition of police vehicles, tractors, and other equipment. The lease agreements qualify as capital leases for accounting purposes, the assets acquired through the capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$ 497,022
Less: accumulated depreciation	(277,520)
	\$ 219,502

**CITY OF CORRIGAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**E. Leases – Continued**

The future minimum lease obligations as of September 30, 2020, were as follows:

Year Ending September 30	
2021	100,480
2022	44,699
2023	44,699
2024	44,699
2025	-
Total amount of minimum lease payments	\$ 234,577
Less: amount representing interest	(17,618)
Present value of minimum lease payments	\$ 216,959

**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, 2020:

	GENERAL OBLIGATION
Bonds payable - October 1, 2019	\$ 674,000
Additions	-
Retirements	(106,000)
Bonds payable - September 30, 2020	\$ 568,000

Original issue amounts currently outstanding are as follows:

Purpose	Interest Rates	Original Issue Amount
<b>Governmental Activities:</b>		
2012 General Obligation Refunding Bonds	2.40%	\$ 1,359,000
2015 Government Capital Corporation Capital Lease	3.74%	88,257
2016 Government Capital Corporation Capital Lease	2.97%	221,487
2017 Government Capital Corporation Capital Lease	5.19%	27,415
2019 Government Capital Corporation Capital Lease	3.82%	200,000
Total Governmental Activities Long-Term Debt		\$ 1,896,159

**CITY OF CORRIGAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**F. Long-Term Debt – Continued**

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2021	108,000	13,632	121,632
2022	111,000	11,040	122,040
2023	114,000	8,376	122,376
2024	116,000	5,640	121,640
2025	119,000	2,856	121,856
Total	<u>568,000</u>	<u>41,544</u>	<u>609,544</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.

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2020, was as follows:

	Beginning Balance 10/1/19	Additions	Reductions	Ending Balance 9/30/20	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 674,000	\$ -	\$ 106,000	\$ 568,000	\$ 108,000
Capital Leases	306,327		89,368	216,959	92,491
Net Pension Liability	48,553		48,553	-	-
Other Postemployment Benefits	69,190	15,734		84,924	-
Compensated Absences	26,617	8,685	-	35,302	3,530
<b>Governmental Activity Long-Term Liabilities</b>	<u>\$ 1,124,687</u>	<u>\$ 24,419</u>	<u>\$ 243,921</u>	<u>\$ 905,185</u>	<u>\$ 204,021</u>
<b>Business-type Activities:</b>					
Net Pension Liability	\$ 8,068		\$ 8,068	\$ -	\$ -
Other Postemployment Benefits	4,906	1,411	-	6,317	-
Compensated Absences	2,131	184	-	2,315	232
<b>Business-type Activity Long-Term Liabilities</b>	<u>\$ 15,105</u>	<u>\$ 1,595</u>	<u>\$ 8,068</u>	<u>\$ 8,632</u>	<u>\$ 232</u>

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:

**CITY OF CORRIGAN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**G. Restricted Assets - Continued**

<u>General Fund</u>	
Restricted for community center and parks	\$ 1,093
Restricted for police	21,980
Restricted for court	14,679
Restricted for debt	26,794
Restricted for fire	8,199
Restricted for library	27,578
Restricted for capital projects	50,000
<b>Total Restricted Cash and Investments</b>	<b>\$ 150,323</b>
<u>Enterprise Fund</u>	
Restricted for customer deposits	50,360
<b>Total Restricted Cash and Investments</b>	<b>\$ 50,360</b>

**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.tmr.com](http://www.tmr.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:

**CITY OF CORRIGAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**B. Benefits Provided - Continued**

	Plan Year 2019	Plan Year 2018
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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	48
Active employees	30
	92

**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 4.05% and 4.22% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$43,406, and were equal to the required contributions.

**E. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**F. Actuarial Assumptions**

The Total Pension Liability in the December 31, 2019 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



**CITY OF CORRIGAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**F. Actuarial Assumptions – Continued**

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 (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	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	<u>100.00%</u>	

**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.

**CITY OF CORRIGAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**G. Discount Rate - Continued**

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 12/31/2018	\$ 1,571,418	\$ 1,514,797	\$ 56,621
Changes for the year:			
Service cost	98,691	-	98,691
Interest	105,932	-	105,932
Change of benefit terms	-	-	-
Difference between expected and actual experience	(10,095)	-	(10,095)
Changes of assumptions	6,983	-	6,983
Contributions - employer	-	42,456	(42,456)
Contributions - employee	-	54,345	(54,345)
Net investment income	-	234,111	(234,111)
Benefit payments, including refunds of employee contributions	(102,799)	(102,799)	-
Administrative expense	-	(1,323)	1,323
Other changes	-	(40)	40
Net changes	98,712	226,750	(128,038)
Balance at 12/31/2019	\$ 1,670,130	\$ 1,741,547	\$ (71,417)

**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		1% Increase in	
	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's net pension liability	\$ 119,018	\$ (71,417)	\$ (71,417)	\$ (231,689)

**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](http://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, 2020, the City recognized pension expense of \$46,368.

**CITY OF CORRIGAN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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

At September 30, 2020, 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	\$ -	\$ 13,213
Changes in actuarial assumptions	3,960	-
Difference between projected and actual investment earnings	-	53,339
Contributions subsequent to the measurement date	31,706	-
<b>Total</b>	<b>\$ 35,666</b>	<b>\$ 66,552</b>

\$31,706 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2020	\$ (23,966)
2021	(16,259)
2022	4,004
2023	(26,371)
2024	-
Thereafter	-
	<b>\$ (62,592)</b>

**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.tmrs.com](http://www.tmrs.com).

**CITY OF CORRIGAN, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	4
Active employees	30
	46
	46

**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 2019, the total SDB contributions rate for the City was 0.22%, while the retiree portion of the SDB contribution was 0.07%. The City's contributions for the year ended September 30, 2020, were \$773 for the retiree portion, and \$2,407 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.

**E. Total OPEB Liability**

The City's total OPEB liability was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

**F. Actuarial Assumptions**

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

**CITY OF CORRIGAN, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**F. Actuarial Assumptions - Continued**

Inflation	2.50%
Overall payroll growth	3.50% to 11.5% including inflation
Discount rate *	2.75%
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, 2019.

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.

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.

**CITY OF CORRIGAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**G. Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at 12/31/2018	\$ 74,096
Changes for the year:	
Service cost	3,152
Interest	2,793
Change of benefit terms	-
Difference between expected and actual experience	(2,180)
Changes of assumptions or other inputs	14,141
Benefit payments	(761)
Net changes	17,145
Balance at 12/31/2019	\$ 91,241

**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 2.75%, would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	\$ 108,867	\$ 91,241	\$ 77,400

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$8,350.

At September 30, 2020, 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	\$ -	\$ 2,419
Changes in assumptions and other inputs	10,534	-
Contributions made subsequent to the measurement date	559	-
Total	\$ 11,093	\$ 2,419

The City had \$559 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, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

**CITY OF CORRIGAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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

	Year Ended December 31	
2020	\$	2,405
2021		2,405
2022		1,966
2023		1,339
2024		-
Thereafter		-
	\$	8,115

**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.

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**

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

**CITY OF CORRIGAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 10: — RESTATEMENT OF PRIOR PERIOD**

During the year, an asset in the Water and Sewer fund was discovered that had been disposed of in fiscal year 2016. Due to the asset being disposed of, a restatement of the prior years' net position has been made to reflect the proceeds from the disposal and to remove the asset from the fund.

**NOTE 11: — UNCERTAINTIES**

During March 2020, the economy was impacted by a viral outbreak (COVID-19) which had a significant impact on the United States as well as international economies. The impact of this pandemic caused disruption to City operations during the year ended September 30, 2020 as several revenue sources dropped during the year and this also rolled over into the fiscal year ended September 30, 2021. The City has sought grant opportunities during the current fiscal year to assist with growing costs associated with the maintenance and improvements needed for its water and wastewater distribution system and plants.

**NOTE 12: — SUBSEQUENT EVENTS**

The management of the City has evaluated subsequent events through August 2, 2021, 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, 2020**

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

## 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, 2020**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 10,855	\$ 8,856	\$ 7,269	\$ 13,303	\$ 36,826	\$ 40,920	\$ 43,406
Contributions in relation to the actuarially determined contributions	<u>10,855</u>	<u>8,856</u>	<u>37,556</u>	<u>44,603</u>	<u>44,805</u>	<u>40,920</u>	<u>43,406</u>
Contribution deficiency (Excess)	\$ -	\$ -	\$ (30,287)	\$ (31,300)	\$ (7,979)	\$ -	\$ -
Covered payroll	\$ 798,196	\$ 819,981	\$ 845,243	\$ 962,988	\$ 1,048,010	\$ 1,048,078	\$ 1,104,127
Contributions as a percentage of covered payroll	1.36%	1.08%	4.44%	4.63%	4.28%	3.90%	3.93%

**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:**

<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	Level Percentage of Payroll, Closed
<b>Remaining Amortization Period</b>	25 years
<b>Asset Valuation Method</b>	10 Year smoothed market; 12% soft corridor
<b>Inflation</b>	2.5%
<b>Salary Increases</b>	3.50% to 11.50% including inflation
<b>Investment Rate of Return</b>	6.75%
<b>Retirement Age</b>	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.
<b>Mortality</b>	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP
<b>Other Information:</b>	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, 2020**

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
<b>Total OPEB liability</b>			
Service Cost	\$ 3,622	\$ 4,317	\$ 3,152
Interest	2,438	2,514	2,793
Changes in benefit terms	-	-	-
Difference between expected and actual results	-	(1,082)	(2,180)
Change of assumptions or other inputs	5,693	(5,122)	14,141
Benefit payments	(685)	(632)	(761)
<b>Net Change in Total OPEB Liability</b>	<b>11,068</b>	<b>(5)</b>	<b>17,145</b>
<b>Total OPEB Liability - Beginning</b>	<b>63,033</b>	<b>74,101</b>	<b>74,096</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 74,101</b>	<b>\$ 74,096</b>	<b>\$ 91,241</b>
<b>Covered Payroll</b>	<b>\$ 978,927</b>	<b>\$ 1,053,001</b>	<b>\$ 1,086,906</b>
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	<b>7.57%</b>	<b>7.04%</b>	<b>8.39%</b>

## 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	2.75%
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).

**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, 2020**

	Measurement Year 2017	Measurement Year 2018
<b>Total OPEB liability</b>		
Service Cost	\$ 3,622	\$ 4,317
Interest	2,438	2,514
Changes in benefit terms	-	-
Difference between expected and actual results	-	(1,082)
Change of assumptions or other inputs	5,693	(5,122)
Benefit payments	(685)	(632)
<b>Net Change in Total OPEB Liability</b>	<b>11,068</b>	<b>(5)</b>
<b>Total OPEB Liability - Beginning</b>	<b>63,033</b>	<b>74,101</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 74,101</b>	<b>\$ 74,096</b>
<b>Covered Payroll</b>	<b>\$ 978,927</b>	<b>\$ 1,053,001</b>
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	<b>7.57%</b>	<b>7.04%</b>

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

<b>Valuation Date:</b>	Actuarially determined contribution rates are calculated as of December 31 and effective in January 13 months later.
<b>Methods and Assumptions Used to Determine Rates:</b>	
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Supplemental Death Benefit</b>	Contribution rate is equal to the expected benefit payments during the upcoming by the annualized pay of current active members and is calculated separately for and retirees.
<b>Retiree's share of benefit-related costs</b>	\$0.00
<b>Inflation</b>	2.50%
<b>Salary Increases</b>	3.50% to 11.50% including inflation
<b>Discount Rate</b>	2.75%
<b>Administrative Expenses</b>	All administrative expenses are paid through the Pension Trust and accounted for reporting requirements under GASB Statement No. 68.
<b>Mortality Rates - Service Retirees</b>	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on
<b>Mortality Rates - Disabled Retirees</b>	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the become disabled for males and females, respectively. The rates are projected on Scale UMP to account for future mortality improvements subject to the floor.
<b>Other Information:</b>	The Supplemental Death Benefits Fund is considered to be an unfunded OPEB

**OTHER REPORTS**

**INDEPENDENT AUDITORS' 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 year ended September 30, 2020, 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 August 2, 2021.

**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. We did identify one deficiency in internal control that we considered to be a significant deficiency as item 2020-001.

**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*.

**Finding 2020-001**

**Significant Deficiency in Internal Control over Financial Reporting – Cash**

During our audit for the year ended September 30, 2020, we identified issues surrounding cash. While the City did perform bank reconciliations, these are not being done timely for reporting and auditing purposes. In these bank reconciliations, there were reconciling items that increased cash balances considerably from the amount noted on the bank statements. Per detailed review of these bank reconciliations, it was noted that outdated transactions from prior years are being included in the balance. The majority of these were opening balance input in the QuickBooks account from 2015. The City should consider additional QuickBooks training to clean up the file to remove these large reconciling items. Additionally, the City should streamline the cash and reconciliation process for timely reporting.

**City of Corrigan, Texas’ Response to Finding**

The management for the City of Corrigan, Texas has reviewed the significant deficiencies identified in this report and we accept full responsibility to correct these in the current fiscal year. Management is in the process of correcting these errors in the bank reconciliations and obtaining additional training to better use the bank reconciliation feature in QuickBooks.

**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  
August 2, 2021