

*ANNUAL FINANCIAL REPORT*

of the

**City of Luling, Texas**

**For the Year Ended  
March 31, 2020**

(This page intentionally left blank.)

## **FINANCIAL SECTION**

|                                      |   |
|--------------------------------------|---|
| Independent Auditor's Report         | 1 |
| Management's Discussion and Analysis | 7 |

### **Basic Financial Statements**

#### **Government-Wide Financial Statements**

|                           |    |
|---------------------------|----|
| Statement of Net Position | 18 |
| Statement of Activities   | 22 |

#### **Fund Financial Statements**

##### **Governmental Funds:**

|  |    |
|--|----|
| Balance Sheet  | 24 |
| Reconciliation of the Balance Sheet to the Statement of Net Position-<br>Governmental funds  | 25 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance-<br>Governmental Funds  | 26 |
| Reconciliation of the Statement of Revenues, Expenditures, and<br>Changes in Fund Balances of Governmental Funds to the Statement<br>of Activities | 27 |

##### **Proprietary Funds:**

|   |    |
|---|----|
| Statement of Net Position   | 28 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position | 30 |
| Statement of Cash Flows   | 31 |

##### **Fiduciary Funds:**

|                                     |    |
|-------------------------------------|----|
| Statement of Fiduciary Net Position | 33 |
|-------------------------------------|----|

|                                      |           |
|--------------------------------------|-----------|
| <b>Notes to Financial Statements</b> | <b>35</b> |
|--------------------------------------|-----------|

## **REQUIRED SUPPLEMENTARY INFORMATION**

|   |    |
|---|----|
| Schedule of Revenues, Expenditures, and Changes in Fund Balances-<br>Budget and Actual - General Fund | 71 |
| Schedule of Changes in Net Pension Liability and Related Ratios - TMRS                                | 72 |
| Schedule of Employer Contributions to Pension Plan - TMRS   | 74 |
| Schedule of Changes in OPEB Liability and Related Ratios - TMRS                                       | 75 |

**OTHER SUPPLEMENTARY INFORMATION**

|   |    |
|---|----|
| Combining Balance Sheet – Nonmajor Governmental Funds   | 80 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund<br>Balance - Nonmajor Governmental Funds | 81 |



## *INDEPENDENT AUDITOR'S REPORT*

To the Honorable Mayor and  
Members of the City Council  
City of Luling, Texas:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Luling, Texas (the "City"), as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of March 31, 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.

### *Emphasis of Matter*

As discussed in Note V.E. the City has restated beginning net position for governmental activities, business-type activities, and component unit activities due to various accounting errors occurring in the prior year. Our opinion is not modified with respect to these matters.

### *Other Matters*

#### *Required Supplementary Information*

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

*Other Supplementary Information*

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

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



BrooksWatson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
October 30, 2020

(This page intentionally left blank.)



*MANAGEMENT'S DISCUSSION  
AND ANALYSIS*

(This page intentionally left blank.)

# City of Luling, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

March 31, 2020

As management of the City of Luling, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2020.

### Financial Highlights

- The City's total combined net position was \$21,426,193 at March 31, 2020. Of this, \$2,368,494 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$1,179,370, a decrease of \$204,445.
- As of the end of the year, the unassigned fund balance of the general fund was \$774,789 or 12% of total general fund expenditures.
- The City had an overall increase in net position of \$4,419,045, which is primarily due to utility fund revenues exceeding expenses that occurred in the current year.

### Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial 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.

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

# City of Luling, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

March 31, 2020

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, community development, and public works. The business-type activities of the City include a water and sewer operations.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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 government'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*.

The City of Luling, Texas maintains five 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, which is the only major fund. Fund data for the remaining nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Luling, Texas adopts an annual appropriated budget for its general, debt service, special revenue, and utility funds. A budgetary comparison schedule has been provided to demonstrate compliance with the general fund budget.

*Proprietary Funds.* The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the provision of water, electric, garbage, and sewer services. The proprietary fund financial statements provide separate information for the utility fund.

**City of Luling, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**March 31, 2020**

The basic proprietary fund financial statements can be found in the basic financial statements of this report.

*Fiduciary funds.* The City maintains one type of fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The *Parks Trust fund* is used to help defray the costs of the local parks. The *Ainsworth Trust fund* is used to help defray the costs of the local library.

**Component Unit**

The City maintains the accounting and financial statements for one component unit. The Luling Economic Development Corporation ("LEDC") is a discretely presented component unit displayed on the government-wide financial statements.

**Notes to Financial Statements.** The notes to the financial statements provide additional information that is necessary to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (RSI) concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pension.

**Government-Wide Financial Analysis**

As noted previously, net position over time, may serve as a useful indicator of the City's financial position. For the City of Luling, Texas, assets exceed liabilities by \$21,426,193 as of March 31, 2020.

The largest portion of the City's net position, \$18,878,721, reflects its investments in capital assets (e.g., land, buildings, streets, and drainage systems, as well as the public domain 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 Luling, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**March 31, 2020**

Total long-term assets as of March 31, 2020 and March 31, 2019 were \$25,705,172 and \$21,740,565, respectively. The increase of \$3,964,607 was primarily attributable to the continued investment in the City's infrastructure.

Total other liabilities as of March 31, 2020 and March 31, 2019 were \$2,586,850 and \$1,814,259, respectively. The increase of \$772,591 was primarily attributable to greater payables due at the end of current year and timing of payments.

Total long-term liabilities as of March 31, 2020 and March 31, 2019 were \$5,761,880 and \$8,160,427, respectively. The decrease of \$2,398,547 is primarily due to principal payments made on long-term debt and the elimination of the City's net pension liability. As of the end of the current year, the City recognized a net pension asset.

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

|                                  | 2020                       |                             |                      | 2019                       |                             |                      |
|----------------------------------|----------------------------|-----------------------------|----------------------|----------------------------|-----------------------------|----------------------|
|                                  | Governmental<br>Activities | Business-Type<br>Activities | Total                | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| Current and other assets         | \$ 2,114,070               | \$ 2,980,558                | \$ 5,094,628         | \$ 1,971,832               | \$ 3,040,213                | \$ 5,012,045         |
| Long-term assets                 | 5,268,004                  | 20,437,168                  | 25,705,172           | 4,852,345                  | 16,888,220                  | 21,740,565           |
| <b>Total Assets</b>              | <b>7,382,074</b>           | <b>23,417,726</b>           | <b>30,799,800</b>    | <b>6,824,177</b>           | <b>19,928,433</b>           | <b>26,752,610</b>    |
| <b>Deferred Outflows</b>         | <b>88,393</b>              | <b>25,077</b>               | <b>113,470</b>       | <b>415,656</b>             | <b>145,429</b>              | <b>561,085</b>       |
| Other liabilities                | 766,074                    | 1,820,776                   | 2,586,850            | 572,021                    | 1,242,238                   | 1,814,259            |
| Long-term liabilities            | 549,240                    | 5,212,640                   | 5,761,880            | 2,056,636                  | 6,103,791                   | 8,160,427            |
| <b>Total Liabilities</b>         | <b>1,315,314</b>           | <b>7,033,416</b>            | <b>8,348,730</b>     | <b>2,628,657</b>           | <b>7,346,029</b>            | <b>9,974,686</b>     |
| <b>Deferred Inflows</b>          | <b>886,773</b>             | <b>251,574</b>              | <b>1,138,347</b>     | <b>188,365</b>             | <b>143,496</b>              | <b>331,861</b>       |
| Net Position:                    |                            |                             |                      |                            |                             |                      |
| Net investment in capital assets | 4,553,328                  | 14,325,393                  | 18,878,721           | 4,167,408                  | 10,028,572                  | 14,195,980           |
| Restricted                       | 178,978                    | -                           | 178,978              | 254,989                    | 536,584                     | 791,573              |
| Unrestricted                     | 536,074                    | 1,832,420                   | 2,368,494            | 414                        | 2,019,181                   | 2,019,595            |
| <b>Total Net Position</b>        | <b>\$ 5,268,380</b>        | <b>\$ 16,157,813</b>        | <b>\$ 21,426,193</b> | <b>\$ 4,422,811</b>        | <b>\$ 12,584,337</b>        | <b>\$ 17,007,148</b> |

**City of Luling, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**March 31, 2020**

**Statement of Activities:**

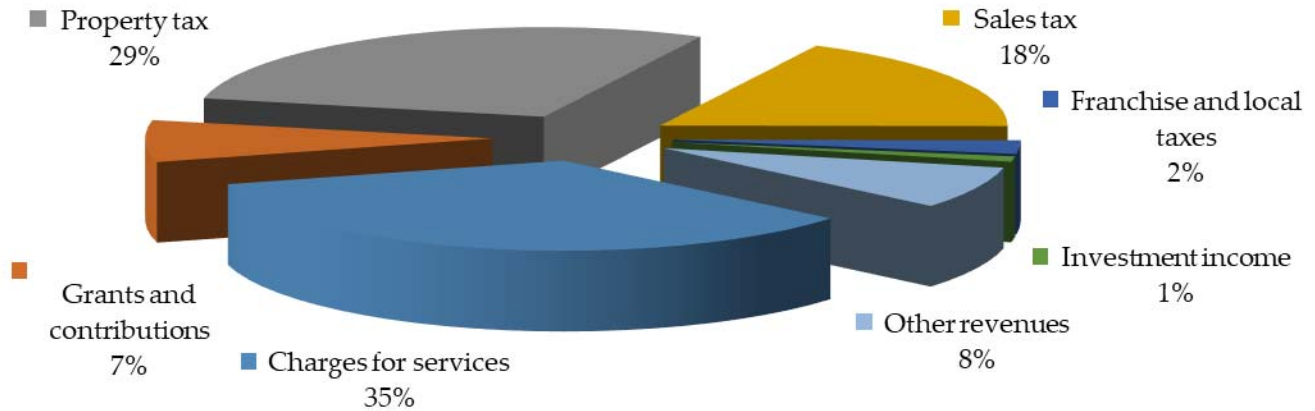
The following table provides a summary of the City's changes in net position:

|                               | For the Year Ended March 31, 2020 |                             |                                | For the Year Ended March 31, 2019 |                             |                                |
|-------------------------------|-----------------------------------|-----------------------------|--------------------------------|-----------------------------------|-----------------------------|--------------------------------|
|                               | Governmental<br>Activities        | Business-Type<br>Activities | Total<br>Primary<br>Government | Governmental<br>Activities        | Business-Type<br>Activities | Total<br>Primary<br>Government |
| <b>Revenues</b>               |                                   |                             |                                |                                   |                             |                                |
| Program revenues:             |                                   |                             |                                |                                   |                             |                                |
| Charges for services          | \$ 1,638,067                      | \$ 8,983,373                | \$ 10,621,440                  | \$ 1,396,692                      | \$ 9,105,550                | \$ 10,502,242                  |
| Operating contributions       | -                                 | 130,000                     | 130,000                        | 87,324                            | -                           | 87,324                         |
| Capital contributions         | 366,382                           | 3,109,842                   | 3,476,224                      | -                                 | 256,489                     | 256,489                        |
| General revenues:             |                                   |                             |                                |                                   |                             |                                |
| Property tax                  | 1,421,864                         | -                           | 1,421,864                      | 1,306,297                         | -                           | 1,306,297                      |
| Sales tax                     | 860,336                           | -                           | 860,336                        | 908,193                           | -                           | 908,193                        |
| Franchise and local taxes     | 119,042                           | -                           | 119,042                        | 119,445                           | -                           | 119,445                        |
| Investment income             | 27,568                            | 22,970                      | 50,538                         | 24,901                            | 40,239                      | 65,140                         |
| Other revenues                | 442,858                           | 79,900                      | 522,758                        | 90,100                            | 52,738                      | 142,838                        |
| <b>Total Revenues</b>         | <b>4,876,117</b>                  | <b>12,326,085</b>           | <b>17,202,202</b>              | <b>3,932,952</b>                  | <b>9,455,016</b>            | <b>13,387,968</b>              |
| <b>Expenses</b>               |                                   |                             |                                |                                   |                             |                                |
| General government            | 734,860                           | -                           | 734,860                        | 850,452                           | -                           | 850,452                        |
| Public safety                 | 3,241,713                         | -                           | 3,241,713                      | 3,334,258                         | -                           | 3,334,258                      |
| Public works                  | 1,639,875                         | -                           | 1,639,875                      | 1,490,916                         | -                           | 1,490,916                      |
| Culture and recreation        | 195,601                           | -                           | 195,601                        | 185,983                           | -                           | 185,983                        |
| Interest and fiscal charges   | 18,498                            | 135,400                     | 153,898                        | 16,409                            | 200,153                     | 216,562                        |
| Utility                       | -                                 | 6,817,209                   | 6,817,209                      | -                                 | 6,907,042                   | 6,907,042                      |
| <b>Total Expenses</b>         | <b>5,830,548</b>                  | <b>6,952,609</b>            | <b>12,783,157</b>              | <b>5,878,018</b>                  | <b>7,107,195</b>            | <b>12,985,213</b>              |
| <b>Change in Net Position</b> |                                   |                             |                                |                                   |                             |                                |
| <b>Before Transfers</b>       | (954,431)                         | 5,373,476                   | 4,419,045                      | (1,945,066)                       | 2,347,821                   | 402,755                        |
| Transfers in (out)            | 1,800,000                         | (1,800,000)                 | -                              | 1,453,201                         | (1,453,201)                 | -                              |
| <b>Total</b>                  | <b>1,800,000</b>                  | <b>(1,800,000)</b>          | <b>-</b>                       | <b>1,453,201</b>                  | <b>(1,453,201)</b>          | <b>-</b>                       |
| <b>Change in Net Position</b> | <b>845,569</b>                    | <b>3,573,476</b>            | <b>4,419,045</b>               | <b>(491,865)</b>                  | <b>894,620</b>              | <b>402,755</b>                 |
| Beginning Net Position        | 4,422,811                         | 12,584,337                  | 17,007,148                     | 4,914,676                         | 11,689,717                  | 16,604,393                     |
| <b>Ending Net Position</b>    | <b>\$ 5,268,380</b>               | <b>\$ 16,157,813</b>        | <b>\$ 21,426,193</b>           | <b>\$ 4,422,811</b>               | <b>\$ 12,584,337</b>        | <b>\$ 17,007,148</b>           |

**City of Luling, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**March 31, 2020**

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

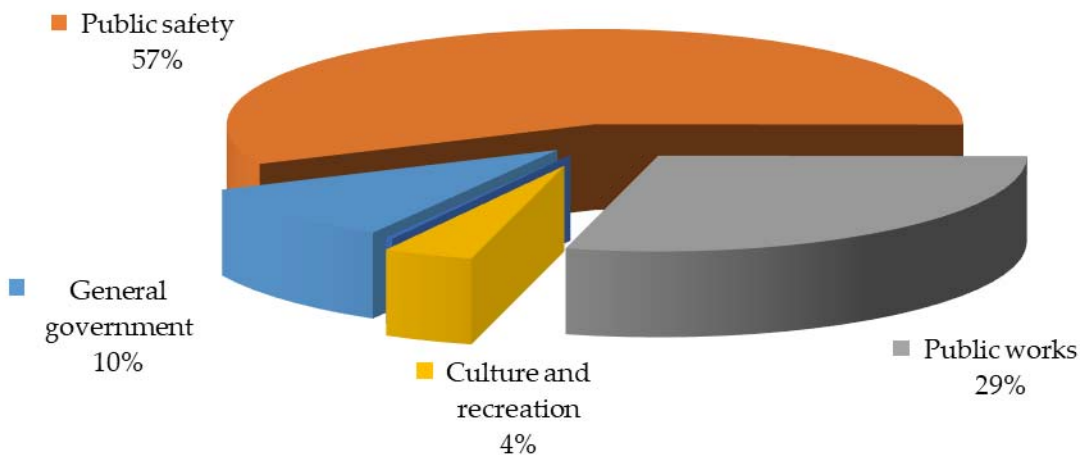
**Governmental Activities - Revenues**



For the year ended March 31, 2020, revenues from governmental activities totaled \$4,876,117. Overall revenues increased by \$943,165 or 24%. Sales tax, property tax, charges for services, and capital contributions are the City's largest revenue sources. Property taxes increased by \$115,567 or 9% primarily as a result of increased appraised property values over the course of the year. Capital contributions increased by \$366,382 or 100% as a result of nonrecurring park improvement grants received in the current year. Charges for services increased by \$241,375 or 17% primarily as a result greater emergency services revenue and building/sign permits issued in the current year. Investment income increased by \$2,667 or 11% as a result of greater interest-bearing account balances.

This graph shows the governmental function expenses of the City:

**Governmental Activities - Expenses**



For the year ended March 31, 2020, expenses for governmental activities totaled \$5,830,548. This represents a decrease of \$47,470 or 1% from the prior year. The City's largest functional expense is



# City of Luling, Texas

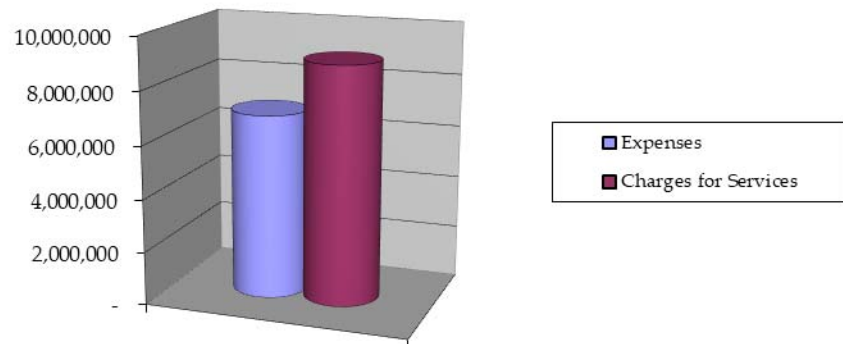
## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

March 31, 2020

public safety of \$3,241,713. Public safety and general government expenses decreased by \$92,545 and \$115,592, respectively, primarily due to a reduction in personnel costs as a result of the City recognizing a net pension asset in the current year. The City recognized a net pension liability in the prior years. Public works expenses increased by \$148,959 primarily as a result of greater personnel costs and nonrecurring building and ground maintenance in the current year.

Business-type activities are shown comparing operating costs to revenues generated by related services.

### Business-Type Activities - Revenues and Expenses



For the year ended March 31, 2020, charges for services by business-type activities totaled \$8,983,373. This is a decrease of \$122,177, or 1%, from the previous year, which is considered minimal. Grants and contribution revenue increased by \$2,983,353 primarily due to nonrecurring federal capital grants received in the current year.

Total expenses decreased by \$154,586 or 2%, which is primarily attributed to lower personnel costs due to the City recognizing a net pension asset in the current year. The decrease is also a result of less wholesale electric power purchases in the current year.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

**City of Luling, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**March 31, 2020**

As of the end of the year the general fund reflected a total fund balance of \$1,000,737. The general fund reflected a decrease of \$160,862. This is primarily a result of current year expenditures exceeding revenue and transfers in. The City originally budgeted for a decrease in general fund balance of \$171,411.

As of the end of the year the nonmajor governmental fund balance reflected a total of \$178,633. Total nonmajor governmental fund balance decreased by \$43,583 compared to the prior year, which is a result of current year expenditures exceeding revenues and transfers from other funds.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There was a positive budget variance of \$114,878 before other financing sources and uses, and a total negative budget variance of \$84,822 in the general fund after other financing sources and uses. Total actual revenue exceeded budgeted revenue by \$408,363. Total actual expenditures were \$293,485 over budget, primarily due to public works being over budget by \$274,723.

**CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$5,244,112 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$20,430,390 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following:

- Hackberry street improvements for \$238,043.
- Park improvements totaling \$273,066.
- Building improvements for general administrative and culture and recreation departments totaling \$81,975.
- River bank reclamation totaling \$3,689,369.
- Electric system improvements for \$116,270.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

# **City of Luling, Texas**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued***

**March 31, 2020**

### **LONG-TERM DEBT**

At the end of the current year, the City had total bonds and capital leases outstanding of \$6,179,047. The City made \$807,452 in principal payments on outstanding debt. More detailed information about the City's long-term liabilities is presented in note IV. F to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Luling, Texas and improving services provided to their public citizens.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City of Luling, Texas's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the Office of the Finance Department, 509 E. Crockett, Luling, Texas, 78648.

(This page intentionally left blank.)

## ***FINANCIAL STATEMENTS***

**City of Luling, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**March 31, 2020**

|   | Primary Government         |                             |                   |
|---|----------------------------|-----------------------------|-------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total             |
| <b>Assets</b>                               |                            |                             |                   |
| Current assets:                             |                            |                             |                   |
| Cash and cash equivalents                   | \$ 1,074,107               | \$ 1,581,884                | \$ 2,655,991      |
| Investments                                 | -                          | -                           | -                 |
| Receivables, net                            | 806,315                    | 1,381,936                   | 2,188,251         |
| Internal balances                           | 7,700                      | (7,700)                     | -                 |
| Due from primary government                 | -                          | -                           | -                 |
| Prepays                                     | 225,948                    | 19,122                      | 245,070           |
| Inventory                                   | -                          | 5,316                       | 5,316             |
| <b>Total Current Assets</b>                 | <b>2,114,070</b>           | <b>2,980,558</b>            | <b>5,094,628</b>  |
| Capital assets:                             |                            |                             |                   |
| Non-depreciable                             | 806,236                    | 4,293,309                   | 5,099,545         |
| Net depreciable capital assets              | 4,437,876                  | 16,137,081                  | 20,574,957        |
| Net pension asset                           | 23,892                     | 6,778                       | 30,670            |
| <b>Total Noncurrent Assets</b>              | <b>5,268,004</b>           | <b>20,437,168</b>           | <b>25,705,172</b> |
| <b>Total Assets</b>                         | <b>7,382,074</b>           | <b>23,417,726</b>           | <b>30,799,800</b> |
| <b>Deferred Outflows of Resources</b>       |                            |                             |                   |
| Pension contributions                       | 69,088                     | 19,600                      | 88,688            |
| OPEB contributions                          | 803                        | 228                         | 1,031             |
| OPEB changes in assumptions                 | 18,502                     | 5,249                       | 23,751            |
| <b>Total Deferred Outflows of Resources</b> | <b>88,393</b>              | <b>25,077</b>               | <b>113,470</b>    |

**Component Unit**  
**Luling**  
**Economic**  
**Development**  
**Corporation**

\$ 2,719,858  
530,392  
-  
-  
68,441  
-  
-  
3,318,691

-  
-  
-  
-  
3,318,691

-  
-  
-  
-  
-

**City of Luling, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**March 31, 2020**

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| <b><u>Liabilities</u></b>                   |                            |                             |                      |
| Current liabilities:                        |                            |                             |                      |
| Accounts payable                            | 409,143                    | 1,027,608                   | 1,436,751            |
| Accrued liabilities                         | -                          | 13,982                      | 13,982               |
| Due to component unit                       | 68,441                     | -                           | 68,441               |
| Accrued interest payable                    | 1,168                      | 15,670                      | 16,838               |
| Customer deposits                           | 87,177                     | 142,271                     | 229,448              |
| Compensated absences payable, current       | 87,205                     | 33,333                      | 120,538              |
| Long-term debt due within one year          | 112,940                    | 587,912                     | 700,852              |
| <b>Total Current Liabilities</b>            | <b>766,074</b>             | <b>1,820,776</b>            | <b>2,586,850</b>     |
| Noncurrent liabilities:                     |                            |                             |                      |
| Long-term debt due in more than one year    | 330,461                    | 5,149,618                   | 5,480,079            |
| Compensated absences payable, noncurrent    | 9,689                      | 3,704                       | 13,393               |
| OPEB liability                              | 209,090                    | 59,318                      | 268,408              |
| <b>Total Noncurrent Liabilities</b>         | <b>549,240</b>             | <b>5,212,640</b>            | <b>5,761,880</b>     |
| <b>Total Liabilities</b>                    | <b>1,315,314</b>           | <b>7,033,416</b>            | <b>8,348,730</b>     |
| <b><u>Deferred Inflows of Resources</u></b> |                            |                             |                      |
| Pension changes in assumptions              | 4,273                      | 1,212                       | 5,485                |
| Pension difference in experience            | 635,955                    | 180,418                     | 816,373              |
| Pension investment returns                  | 233,482                    | 66,238                      | 299,720              |
| OPEB difference in experience               | 13,063                     | 3,706                       | 16,769               |
| <b>Total Deferred Inflows of Resources</b>  | <b>886,773</b>             | <b>251,574</b>              | <b>1,138,347</b>     |
| <b><u>Net Position</u></b>                  |                            |                             |                      |
| Net investment in capital assets            | 4,553,328                  | 14,325,393                  | 18,878,721           |
| Restricted for:                             |                            |                             |                      |
| Economic development                        | -                          | -                           | -                    |
| Municipal court                             | 16,882                     | -                           | 16,882               |
| Debt service                                | 153,596                    | -                           | 153,596              |
| Grant activities                            | 8,500                      | -                           | 8,500                |
| Unrestricted                                | 536,074                    | 1,832,420                   | 2,368,494            |
| <b>Total Net Position</b>                   | <b>\$ 5,268,380</b>        | <b>\$ 16,157,813</b>        | <b>\$ 21,426,193</b> |

See Notes to Financial Statements.



**Component Unit**  
**Luling**  
**Economic**  
**Development**  
**Corporation**

3,568

-

-

-

-

-

-

3,568

-

-

-

3,568

-

-

-

-

3,315,123

-

-

-

-

\$ 3,315,123

# City of Luling, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2020

| Functions/Programs                      | Expenses             | Program Revenues     |                                    |                                  |
|---|----------------------|----------------------|------------------------------------|----------------------------------|
|   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government</b>               |                      |                      |                                    |                                  |
| <b>Governmental Activities</b>          |                      |                      |                                    |                                  |
| General government                      | \$ 734,860           | \$ 1,492,721         | \$ 116,382                         | \$ -                             |
| Public safety                           | 3,241,713            | 145,346              | -                                  | -                                |
| Public works                            | 1,639,875            | -                    | -                                  | -                                |
| Culture and recreation                  | 195,601              | -                    | 250,000                            | -                                |
| Interest and fiscal charges             | 18,498               | -                    | -                                  | -                                |
| <b>Total Governmental Activities</b>    | <b>5,830,548</b>     | <b>1,638,067</b>     | <b>366,382</b>                     | <b>-</b>                         |
| <b>Business-Type Activities</b>         |                      |                      |                                    |                                  |
| Utility                                 | 6,952,609            | 8,983,373            | 130,000                            | 3,109,842                        |
| <b>Total Business-Type Activities</b>   | <b>6,952,609</b>     | <b>8,983,373</b>     | <b>130,000</b>                     | <b>3,109,842</b>                 |
| <b>Total Primary Government</b>         | <b>\$ 12,783,157</b> | <b>\$ 10,621,440</b> | <b>\$ 496,382</b>                  | <b>\$ 3,109,842</b>              |
| <b>Component Unit</b>                   |                      |                      |                                    |                                  |
| Luling Economic Development Corporation | \$ 273,781           | \$ -                 | \$ -                               | \$ -                             |
| <b>Total Component Unit Activities</b>  | <b>\$ 273,781</b>    | <b>\$ -</b>          | <b>\$ -</b>                        | <b>\$ -</b>                      |

### General Revenues:

Taxes

Property tax

Sales tax

Franchise and local taxes

Investment income

Other revenues

### Transfers:

### Total General Revenues and Transfers

### Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

| <b>Net (Expense) Revenue and Changes in Net Position</b> |                      |                      | <b>Component Unit</b> |
|--|----------------------|----------------------|-----------------------|
| <b>Primary Government</b>                                |                      |                      | <b>Luling</b>         |
| <b>Governmental</b>                                      | <b>Business-Type</b> |                      | <b>Economic</b>       |
| <b>Activities</b>  | <b>Activities</b>    | <b>Total</b>         | <b>Development</b>    |
|  |                      |                      | <b>Corporation</b>    |
| \$ 874,243   | \$ -                 | \$ 874,243           | \$ -                  |
| (3,096,367)  | -                    | (3,096,367)          | -                     |
| (1,639,875)  | -                    | (1,639,875)          | -                     |
| 54,399   | -                    | 54,399               | -                     |
| (18,498)   | -                    | (18,498)             | -                     |
| <u>(3,826,099)</u>                                       | <u>-</u>             | <u>(3,826,099)</u>   | <u>-</u>              |
| -  | 5,270,606            | 5,270,606            | -                     |
| -  | 5,270,606            | 5,270,606            | -                     |
| <u>(3,826,099)</u>                                       | <u>5,270,606</u>     | <u>1,444,507</u>     | <u>-</u>              |
|  |                      |                      | <u>(273,781)</u>      |
|  |                      |                      | <u>(273,781)</u>      |
| 1,421,864  | -                    | 1,421,864            | -                     |
| 860,336  | -                    | 860,336              | 460,563               |
| 119,042  | -                    | 119,042              | -                     |
| 27,568   | 22,970               | 50,538               | 20,307                |
| 442,858  | 79,900               | 522,758              | 16,736                |
| 1,800,000  | (1,800,000)          | -                    | -                     |
| <u>4,671,668</u>   | <u>(1,697,130)</u>   | <u>2,974,538</u>     | <u>497,606</u>        |
| 845,569  | 3,573,476            | 4,419,045            | 223,825               |
| 4,422,811  | 12,584,337           | 17,007,148           | 3,091,298             |
| <u>\$ 5,268,380</u>                                      | <u>\$ 16,157,813</u> | <u>\$ 21,426,193</u> | <u>\$ 3,315,123</u>   |

# City of Luling, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS March 31, 2020

|  | General<br>Fund     | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-----------------------------------|--------------------------------|
| <b><u>Assets</u></b>   |                     |                                   |                                |
| Cash and cash equivalents  | \$ 900,534          | \$ 173,573                        | \$ 1,074,107                   |
| Receivables, net   | 730,690             | 75,625                            | 806,315                        |
| Prepays  | 225,948             | -                                 | 225,948                        |
| Due from other funds   | 133                 | 7,700                             | 7,833                          |
| <b>Total Assets</b>  | <b>\$ 1,857,305</b> | <b>\$ 256,898</b>                 | <b>\$ 2,114,203</b>            |
| <b><u>Liabilities</u></b>  |                     |                                   |                                |
| Accounts payable   | \$ 406,625          | \$ 2,518                          | \$ 409,143                     |
| Due to other funds   | -                   | 133                               | 133                            |
| Due to component unit  | 68,441              | -                                 | 68,441                         |
| Customer deposits  | 87,177              | -                                 | 87,177                         |
| <b>Total Liabilities</b>   | <b>562,243</b>      | <b>2,651</b>                      | <b>564,894</b>                 |
| <b><u>Deferred Inflows of Resources</u></b>                                    |                     |                                   |                                |
| Unavailable revenue - property taxes   | 294,325             | -                                 | 294,325                        |
| Unavailable revenue - receivables  | -                   | 75,614                            | 75,614                         |
| <b>Total Deferred Inflows of Resources</b>                                     | <b>294,325</b>      | <b>75,614</b>                     | <b>369,939</b>                 |
| <b><u>Fund Balances</u></b>  |                     |                                   |                                |
| Nonspendable:  |                     |                                   |                                |
| Prepays  | 225,948             | -                                 | 225,948                        |
| Restricted for:  |                     |                                   |                                |
| Municipal court  | -                   | 16,882                            | 16,882                         |
| Debt service   | -                   | 153,596                           | 153,596                        |
| Grant activities   | -                   | 8,500                             | 8,500                          |
| Unassigned   | 774,789             | (345)                             | 774,444                        |
| <b>Total Fund Balances</b>   | <b>1,000,737</b>    | <b>178,633</b>                    | <b>1,179,370</b>               |
| <b>Total Liabilities, Deferred Inflows of Resources, and<br/>Fund Balances</b> | <b>\$ 1,857,305</b> | <b>\$ 256,898</b>                 | <b>\$ 2,114,203</b>            |

See Notes to Financial Statements.

**City of Luling, Texas**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**March 31, 2020**

|  |           |                  |
|--|-----------|------------------|
| <b>Fund Balances - Total Governmental Funds</b>  |           | \$ 1,179,370     |
| <br><b>Adjustments for the Statement of Net Position:</b>  |           |                  |
| Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.   |           |                  |
| Capital assets - non-depreciable   |           | 806,236          |
| Capital assets - net depreciable   |           | 4,437,876        |
| <br>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.  |           |                  |
| Property tax receivable  |           | 294,325          |
| Notes receivable   |           | 75,614           |
| Net pension asset  |           | 23,892           |
| <br>Deferred outflows (inflows) of resources represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow (inflow) of resources (expense/expenditure) (revenues) until then. |           |                  |
| Pension contributions  |           | 69,088           |
| OPEB contributions   |           | 803              |
| Pension difference in experience   |           | (635,955)        |
| Pension changes in assumptions   |           | (4,273)          |
| Pension investment returns   |           | (233,482)        |
| OPEB changes in assumptions  |           | 18,502           |
| OPEB difference in experience  |           | (13,063)         |
| <br>Some liabilities, including bonds payable and deferred charges are not reported as liabilities in the governmental funds.  |           |                  |
| Accrued interest   |           | (1,168)          |
| Compensated absences payable   |           | (96,894)         |
| Non-current liabilities due in one year  |           | (112,940)        |
| Non-current liabilities due in more than one year  |           | (330,461)        |
| OPEB liability   |           | (209,090)        |
| <b>Net Position of Governmental Activities</b>   | <b>\$</b> | <b>5,268,380</b> |

See Notes to Financial Statements.

# City of Luling, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended March 31, 2020

|  | General<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------|-----------------------------------|--------------------------------|
| <b><u>Revenues</u></b>                       |                 |                                   |                                |
| Property tax                                 | \$ 1,366,880    | \$ -                              | \$ 1,366,880                   |
| Sales tax                                    | 860,336         | -                                 | 860,336                        |
| Franchise and local taxes                    | 119,042         | -                                 | 119,042                        |
| Intergovernmental revenue                    | 366,382         | -                                 | 366,382                        |
| License and permits                          | 68,268          | -                                 | 68,268                         |
| Charges for services                         | 1,424,453       | -                                 | 1,424,453                      |
| Fines and forfeitures                        | 132,525         | 12,821                            | 145,346                        |
| Investment income                            | 20,117          | 7,451                             | 27,568                         |
| Other revenues                               | 334,472         | 32,772                            | 367,244                        |
| <b>Total Revenues</b>                        | 4,692,475       | 53,044                            | 4,745,519                      |
| <b><u>Expenditures</u></b>                   |                 |                                   |                                |
| Current:                                     |                 |                                   |                                |
| General government                           | 299,671         | 90,833                            | 390,504                        |
| Public safety                                | 2,821,234       | 5,758                             | 2,826,992                      |
| Fire safety                                  | 505,206         | -                                 | 505,206                        |
| Culture and recreation                       | 195,671         | -                                 | 195,671                        |
| Municipal court                              | 170,189         | -                                 | 170,189                        |
| Public works                                 | 2,023,283       | -                                 | 2,023,283                      |
| Nondepartmental                              | 378,251         | -                                 | 378,251                        |
| Debt service:                                |                 |                                   |                                |
| Principal                                    | 157,452         | 84,084                            | 241,536                        |
| Interest and fiscal charges                  | 10,880          | 7,452                             | 18,332                         |
| <b>Total Expenditures</b>                    | 6,561,837       | 188,127                           | 6,749,964                      |
| <b>Revenues Over (Under) Expenditures</b>    | (1,869,362)     | (135,083)                         | (2,004,445)                    |
| <b><u>Other Financing Sources (Uses)</u></b> |                 |                                   |                                |
| Transfers in                                 | 1,800,000       | 91,500                            | 1,891,500                      |
| Transfers (out)                              | (91,500)        | -                                 | (91,500)                       |
| <b>Total Other Financing Sources (Uses)</b>  | 1,708,500       | 91,500                            | 1,800,000                      |
| <b>Net Change in Fund Balances</b>           | (160,862)       | (43,583)                          | (204,445)                      |
| Beginning fund balances                      | 1,161,599       | 222,216                           | 1,383,815                      |
| <b>Ending Fund Balances</b>                  | \$ 1,000,737    | \$ 178,633                        | \$ 1,179,370                   |

See Notes to Financial Statements.

# City of Luling, Texas

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2020

Amounts reported for governmental activities in the statement of activities are different because:

|   |              |
|---|--------------|
| Net changes in fund balances - total governmental funds | \$ (204,445) |
|---|--------------|

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.

|                      |           |
|----------------------|-----------|
| Capital outlay       | 662,044   |
| Depreciation expense | (270,277) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

|                |        |
|----------------|--------|
| Property taxes | 54,984 |
| Grant revenue  | 75,614 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

|                      |          |
|----------------------|----------|
| Compensated absences | (13,692) |
| Accrued interest     | (166)    |
| Pension expense      | 311,074  |
| OPEB expense         | (11,103) |

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) 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. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

|                    |         |
|--------------------|---------|
| Principal payments | 241,536 |
|--------------------|---------|

|  |                   |
|--|-------------------|
| <b>Change in Net Position of Governmental Activities</b> | <b>\$ 845,569</b> |
|--|-------------------|

See Notes to Financial Statements.

**City of Luling, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**PROPRIETARY FUND**  
**March 31, 2020**

|  | <b>Utility</b>    |
|--|-------------------|
| <b><u>Assets</u></b>                         |                   |
| <b><u>Current Assets</u></b>                 |                   |
| Cash and cash equivalents                    | \$ 1,581,884      |
| Accounts and other receivables, net          | 1,381,936         |
| Prepays                                      | 19,122            |
| Inventory                                    | 5,316             |
| <b>Total Current Assets</b>                  | <b>2,988,258</b>  |
| <b><u>Noncurrent Assets</u></b>              |                   |
| Capital assets:                              |                   |
| Non-depreciable                              | 4,293,309         |
| Net depreciable capital assets               | 16,137,081        |
| Net pension asset                            | 6,778             |
| <b>Total Noncurrent Assets</b>               | <b>20,437,168</b> |
| <b>Total Assets</b>                          | <b>23,425,426</b> |
| <b><u>Deferred Outflows of Resources</u></b> |                   |
| Pension contributions                        | 19,600            |
| OPEB contributions                           | 228               |
| OPEB changes in assumptions                  | 5,249             |
| <b>Total Deferred Outflows of Resources</b>  | <b>25,077</b>     |

See Notes to Financial Statements.



**City of Luling, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**PROPRIETARY FUND**  
**March 31, 2020**

|   | <b>Utility</b>       |
|---|----------------------|
| <b><u>Liabilities</u></b>                   |                      |
| <b><u>Current Liabilities</u></b>           |                      |
| Accounts payable                            | \$ 1,027,608         |
| Accrued liabilities                         | 13,982               |
| Accrued interest                            | 15,670               |
| Due to other funds                          | 7,700                |
| Customer deposits                           | 142,271              |
| Long-term debt due in one year              | 587,912              |
| Compensated absences payable, current       | 33,333               |
| <b>Total Current Liabilities</b>            | <b>1,828,476</b>     |
| <b><u>Noncurrent Liabilities</u></b>        |                      |
| Compensated absences payable, noncurrent    | 3,704                |
| Long-term debt due in more than a year      | 5,149,618            |
| OPEB liability                              | 59,318               |
| <b>Total Liabilities</b>                    | <b>7,041,116</b>     |
| <b><u>Deferred Inflows of Resources</u></b> |                      |
| Pension difference in experience            | 180,418              |
| Pension changes in assumptions              | 1,212                |
| Pension investment returns                  | 66,238               |
| OPEB difference in experience               | 3,706                |
| <b>Total Deferred Inflows of Resources</b>  | <b>251,574</b>       |
| <b><u>Net Position</u></b>                  |                      |
| Net investment in capital assets            | 14,325,393           |
| Unrestricted                                | 1,832,420            |
| <b>Total Net Position</b>                   | <b>\$ 16,157,813</b> |

See Notes to Financial Statements.

# City of Luling, Texas

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended March 31, 2020

|  | Utility              |
|--|----------------------|
| <b><u>Operating Revenues</u></b>                         |                      |
| Water sales  | \$ 1,067,042         |
| Sewer revenue  | 725,819              |
| Electricity revenue                                      | 6,294,428            |
| Garbage revenue  | 797,438              |
| Penalties and reconnect fees                             | 98,646               |
| <b>Total Operating Revenues</b>                          | <b>8,983,373</b>     |
| <br><b><u>Operating Expenses</u></b>                     |                      |
| Personnel  | 1,096,730            |
| Supplies and services                                    | 158,709              |
| Electric distribution                                    | 3,096,896            |
| Public works   | 123,311              |
| Water and sewer operations                               | 1,206,680            |
| Garbage service expenses                                 | 619,211              |
| Depreciation   | 515,672              |
| <b>Total Operating Expenses</b>                          | <b>6,817,209</b>     |
| <b>Operating Income</b>                                  | <b>2,166,164</b>     |
| <br><b><u>Nonoperating Revenues (Expenses)</u></b>       |                      |
| Investment income  | 22,970               |
| Interest expense   | (135,400)            |
| Other revenue  | 79,900               |
| <b>Total Nonoperating Revenues (Expenses)</b>            | <b>(32,530)</b>      |
| <b>Income Before Transfers and Capital Contributions</b> | <b>2,133,634</b>     |
| <br><b><u>Transfers and Capital Contributions</u></b>    |                      |
| Contributions from component unit                        | 130,000              |
| Capital grant  | 3,109,842            |
| Transfers (out)  | (1,800,000)          |
| <b>Total Transfers and Capital Contributions</b>         | <b>1,439,842</b>     |
| <b>Change in Net Position</b>                            | <b>3,573,476</b>     |
| Beginning net position                                   | 12,584,337           |
| <b>Ending Net Position</b>                               | <b>\$ 16,157,813</b> |

See Notes to Financial Statements.

**City of Luling, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND (Page 1 of 2)**  
**For the Year Ended March 31, 2020**

|   | <b>Water &amp;<br/>Sewer</b> |
|---|------------------------------|
| <b><u>Cash Flows from Operating Activities</u></b>                          |                              |
| Receipts from customers   | \$ 9,177,165                 |
| Payments to employees   | (1,182,279)                  |
| Payments to suppliers and contractors                                       | (4,657,834)                  |
| <b>Net Cash Provided by Operating Activities</b>                            | <b>3,337,052</b>             |
| <b><u>Cash Flows from Noncapital Financing Activities</u></b>               |                              |
| Transfer to other funds   | (1,800,000)                  |
| <b>Net Cash Provided (Used) by Noncapital Financing Activities</b>          | <b>(1,800,000)</b>           |
| <b><u>Cash Flows from Capital and Related Financing Activities</u></b>      |                              |
| Purchase of capital assets  | (4,057,842)                  |
| Principal paid on long-term debt  | (565,916)                    |
| Capital grant   | 3,109,842                    |
| Contributions received from component unit                                  | 130,000                      |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b> | <b>(1,383,916)</b>           |
| <b><u>Cash Flows from Investing Activities</u></b>                          |                              |
| Interest paid on debt   | (135,400)                    |
| Interest received on investments  | 102,681                      |
| <b>Net Cash Provided (Used) by Investing Activities</b>                     | <b>(32,719)</b>              |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                 | <b>120,417</b>               |
| Beginning cash and cash equivalents   | <b>1,461,467</b>             |
| <b>Ending Cash and Cash Equivalents</b>                                     | <b>\$ 1,581,884</b>          |

See Notes to Financial Statements.

**City of Luling, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND (Page 2 of 2)**  
**For the Year Ended March 31, 2020**

|  | <b>Water &amp;<br/>Sewer</b> |
|--|------------------------------|
| <b><u>Reconciliation of Operating Income</u></b>                   |                              |
| <b><u>to Net Cash Provided by Operating Activities</u></b>         |                              |
| Operating Income   | \$ 2,166,164                 |
| Adjustments to reconcile operating<br>income to net cash provided: |                              |
| Depreciation   | 515,672                      |
| <b>Changes in Operating Assets and Liabilities:</b>                |                              |
| <b>(Increase) Decrease in:</b>                                     |                              |
| Accounts receivable  | 191,494                      |
| Prepays  | (19,122)                     |
| Deferred outflows - pension and OPEB contributions                 | (2,609)                      |
| Deferred outflows - OPEB changes in assumptions                    | (7,748)                      |
| Deferred inflows - OPEB difference in experience                   | 1,679                        |
| Deferred inflows - pension investment earnings                     | 17,326                       |
| Deferred inflows - pension difference in experience                | 281,119                      |
| Deferred intflows - pension changes in assumptions                 | 1,212                        |
| <b>Increase (Decrease) in:</b>                                     |                              |
| Accounts payable and accrued liabilities                           | 560,480                      |
| Due to other funds   | 7,700                        |
| Customer deposits  | 2,298                        |
| Accrued interest   | (2,085)                      |
| Net pension liability  | (385,345)                    |
| OPEB liability   | 9,264                        |
| Compensated absences   | (447)                        |
| <b>Net Cash Provided by Operating Activities</b>                   | <b>\$ 3,337,052</b>          |

See Notes to Financial Statements.

**City of Luling, Texas**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**March 31, 2020**

|                               | Trust Funds         |                                |
|-------------------------------|---------------------|--------------------------------|
|                               | Parks<br>Trust Fund | Ainsworth<br>Irrevocable Trust |
| <b><u>Assets</u></b>          |                     |                                |
| <b><u>Current Assets</u></b>  |                     |                                |
| Cash and cash equivalents     | \$ 15,521           | \$ 112,586                     |
| Investments                   | 50,000              | -                              |
| Other receivables             | 48                  | -                              |
| <b>Total Assets</b>           | \$ 65,569           | \$ 112,586                     |
| <br><b><u>Liabilities</u></b> |                     |                                |
| Accounts payable              | \$ -                | \$ 3,651                       |
| Due to other funds            | 65,569              | 108,935                        |
| <b>Total Liabilities</b>      | \$ 65,569           | \$ 112,586                     |

See Notes to Financial Statements.

(This page intentionally left blank.)

**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2020**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Luling, Texas (the "City") was incorporated by an election. The City operates under a charter, Manager-Council type of government and provides the following services: public safety (fire, ambulance, and law enforcement), public transportation (streets), health, culture, recreation, public facilities, legal, election functions, and general administrative services. In addition, the City provides water, sewer, electricity, and sanitation services as an enterprise function 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. The Luling Economic Development District ("EDC") is legally separate and presented as a discretely presented component unit. No other entities have been included in 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 governmental 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 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 primary government is financially accountable, and 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.

**Discretely Presented Component Unit**

Luling Economic Development Corporation

The Luling Economic Development Corporation ("LEDC") is governed by a board of seven directors, all of whom are appointed by the City Council of the City of Luling and any of whom can be removed from office by the City Council at its will. The LEDC was incorporated in the state of Texas as a non-profit industrial development corporation under Section 4B of the Development Corporation Act of 1979. The purpose of the LEDC is to

# City of Luling, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

March 31, 2020

promote economic and community development within the City of Luling. The Luling Economic Development Corporation provides leadership by developing and maintaining an aesthetically pleasing living environment, providing opportunities for community activities by developing and improving appropriately related public facilities and neighborhood parks, and by working to promote or develop new or expanded business enterprises for residents of the local area. The LEDC is funded by a one half of one percent sales tax. The LEDC is considered to be a discretely presented component unit because the City is financially accountable although the EDC does not meet any of the criteria for blended presentation.

### **B. Basis of Presentation - Government-Wide and Fund Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

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 the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

#### **General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, fire safety, public works, culture and recreation, and municipal court. The general fund is considered a major fund for reporting purposes.



**City of Luling, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
March 31, 2020

The City reports the following major enterprise fund:

**Utility Fund**

This fund is used to account for the provision of water, electric, garbage, and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and electric distribution system, water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

Additionally, the City reports for the following fund types:

**Special Revenue Funds**

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund.

**Fiduciary Funds**

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf others. As such, fiduciary funds are not reported in the government-wide statements. The City's maintains the following fiduciary funds:

**Parks Trust Fund**

This fund is accounted for as a private purpose trust fund and is used to help defray the costs of the local parks.

**Ainsworth Trust Fund**

This fund is accounted for as a private purpose trust fund and is used to help defray the costs of the local library.

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

**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

**C. Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 asset 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, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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

**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

60 days of yearend). Expenditure-driven grants are recognized as revenue 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 yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

**D. Assets, Deferred Outflows/Inflows, Liabilities, and Fund Equity or Net Position**

**1. Deposits and Investments**

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 the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

**2. Fair Value Measurement**

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

# City of Luling, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

March 31, 2020

### 3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (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” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a fund balance nonspendable account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

### 4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

### 5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

### 6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000

# City of Luling, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

March 31, 2020

and an estimated useful life in excess of one year. 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 enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

| <b>Asset Description</b>     | <b>Estimated Useful Life</b> |
|------------------------------|------------------------------|
| Vehicles                     | 5 years                      |
| Furniture and equipment      | 5 years                      |
| Public domain infrastructure | 50 years                     |
| Sewer infrastructure         | 30 years                     |
| Buildings and improvements   | 20 - 50 years                |

### 7. 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 government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an 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 government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, fines, and emergency medical services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

# City of Luling, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

March 31, 2020

### 8. Net Position Flow Assumptions

Sometimes the government 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 government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### 9. Fund Balance Flow Assumptions

Sometimes the government 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 government’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.

### 10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through the following spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by City Council or by an official or body to which the Council delegates the authority.

**City of Luling, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
**March 31, 2020**

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

It shall be the City's policy to maintain a minimum unassigned fund balance in its general fund of 20% of the subsequent year's budgeted expenditures and outgoing transfers. The minimum unassigned fund balance shall be calculated as follows: Next fiscal year's budgeted expenditures and outgoing transfers; less 85% of next fiscal year's budgeted utility transfers and sales taxes multiplied by 20%.

#### **11. Compensated Absences**

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

**City of Luling, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
March 31, 2020

**12. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, 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.

Assets acquired under the terms of capital leases 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 general 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.

**13. Estimates**

The preparation of financial statements, in conformity with 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.

**14. 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



# City of Luling, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

March 31, 2020

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.

### **15. Other Postemployment Benefits (“OPEB”)**

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn’t meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position.

## **II. 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.**

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

### **B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of

**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, and special revenue funds. 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 City Charter is the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

**A. Expenditures Over Appropriations**

For the year ended March 31, 2020, expenditures exceeded appropriations at the legal level of control in the general fund by \$293,485.

**B. Deficit Fund Equity**

As of March 31, 2020, the court technology fund had a deficit fund balance of \$345. The deficit will be eliminated in the future with increased revenue, reduction in expenses, or through reimbursements from other funds.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of March 31, 2020, the primary government had the following investments:

| Investment Type                     | Value        | Weighted<br>Average Maturity<br>(Days) |
|-------------------------------------|--------------|--|
| External investment pools           | \$ 1,529,324 | 0.13                                   |
| Total fair value                    | \$ 1,529,324 |  |
| Portfolio weighted average maturity |              | 0.13                                   |

**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

As of March 31, 2020, the discretely presented component unit had the following investments:

| Investment Type                     | Value        | Weighted<br>Average Maturity<br>(Days) |
|-------------------------------------|--------------|--|
| External investment pools           | \$ 675,197   | 0.10                                   |
| Certificates of deposits            | 530,392      | 0.24                                   |
| Total fair value                    | \$ 1,205,589 |  |
| Portfolio weighted average maturity |              | 0.16                                   |

As of March 31, 2020, the fiduciary funds had the following investments:

| Investment Type                     | Value      | Weighted<br>Average Maturity<br>(Days) |
|-------------------------------------|------------|--|
| External investment pools           | \$ 98,590  | 0.13                                   |
| Certificate of deposit              | 50,000     | 0.06                                   |
| Total fair value                    | \$ 148,590 |  |
| Portfolio weighted average maturity |            | 0.13                                   |

*Interest rate risk* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed one year; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

*Credit risk* The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of March 31, 2020, the City's investment in LOGIC was rated AAAM by Standard & Poor's.

*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 to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of March 31, 2020, the market values of pledged securities and FDIC exceeded bank balances.

# City of Luling, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

March 31, 2020

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

### LOGIC

The Local Government Investment Cooperative ("LOGIC") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. LOGIC was created by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

LOGIC operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC uses the amortized cost valuation technique, which generally approximates the market value of the assets, has been deemed to be a proxy for fair value. Accordingly, the fair value of the position in LOGIC are the same as the value of LOGIC shares. LOGIC is rated AAAM by Standard & Poor's. There were no limitations or restrictions on withdrawals.

### **B. Receivables**

The following comprise receivable balances of the primary government at year end:

|                         | <u>General</u>    | <u>Nonmajor<br/>Governmental</u> | <u>Utility</u>      | <u>Total</u>        |
|-------------------------|-------------------|----------------------------------|---------------------|---------------------|
| Property tax            | \$ 312,988        | \$ -                             | \$ -                | \$ 312,988          |
| Sales tax               | 206,381           | -                                | -                   | 206,381             |
| Franchise and local tax | 28,263            | -                                | -                   | 28,263              |
| Grant receivables       | -                 | 75,625                           | 466,842             | 542,467             |
| Ambulance services      | 643,042           | -                                | -                   | 643,042             |
| Accounts, net           | 49,030            | -                                | 1,701,889           | 1,750,919           |
| Other                   | 200,474           | -                                | 686                 | 201,160             |
| Allowance               | (709,488)         | -                                | (787,481)           | (1,496,969)         |
| <b>Total</b>            | <u>\$ 730,690</u> | <u>\$ 75,625</u>                 | <u>\$ 1,381,936</u> | <u>\$ 2,188,251</u> |

**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

**C. Capital Assets**

A summary of changes in governmental activities capital assets for the year end was as follows:

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u>  | <u>Decreases/<br/>Reclassifications</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|-------------------|---|----------------------------|
| Capital assets, not being depreciated:     |                               |                   |   |                            |
| Land                                       | \$ 806,236                    | \$ -              | \$ -                                    | \$ 806,236                 |
| Total capital assets not being depreciated | <u>806,236</u>                | <u>-</u>          | <u>-</u>                                | <u>806,236</u>             |
| Capital assets, being depreciated:         |                               |                   |   |                            |
| Infrastructure                             | 5,961,073                     | 511,109           | -                                       | 6,472,182                  |
| Buildings and improvements                 | 3,808,450                     | 81,975            | -                                       | 3,890,425                  |
| Machinery, equipment, and vehicles         | 4,368,919                     | 68,960            | -                                       | 4,437,879                  |
| Total capital assets being depreciated     | <u>14,138,442</u>             | <u>662,044</u>    | <u>-</u>                                | <u>14,800,486</u>          |
| Less accumulated depreciation              |                               |                   |   |                            |
| Infrastructure                             | (4,363,646)                   | (54,641)          | -                                       | (4,418,287)                |
| Buildings and improvements                 | (1,757,106)                   | (75,629)          | -                                       | (1,832,735)                |
| Machinery, equipment, and vehicles         | (3,971,581)                   | (140,007)         | -                                       | (4,111,588)                |
| Total accumulated depreciation             | <u>(10,092,333)</u>           | <u>(270,277)</u>  | <u>-</u>                                | <u>(10,362,610)</u>        |
| Net capital assets being depreciated       | <u>4,046,109</u>              | <u>391,767</u>    | <u>-</u>                                | <u>4,437,876</u>           |
| <b>Total Capital Assets</b>                | <u>\$ 4,852,345</u>           | <u>\$ 391,767</u> | <u>\$ -</u>                             | <u>\$ 5,244,112</u>        |

Depreciation was charged to governmental functions as follows:

|   |                   |
|---|-------------------|
| General government  | \$ 121,249        |
| Public safety   | 56,457            |
| Public works  | 13,846            |
| Culture and recreation                                    | 78,725            |
| <b>Total Governmental Activities Depreciation Expense</b> | <u>\$ 270,277</u> |

**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

A summary of changes in business-type activities capital assets for the year end was as follows:

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u>    | <u>Decreases/<br/>Reclassifications</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|---------------------|---|----------------------------|
| Capital assets, not being depreciated:     |                               |                     |   |                            |
| Land                                       | \$ 135,284                    | \$ -                | \$ -                                    | \$ 135,284                 |
| Construction in progress                   | 216,452                       | 3,941,573           | -                                       | 4,158,025                  |
| Total capital assets not being depreciated | <u>351,736</u>                | <u>3,941,573</u>    | <u>-</u>                                | <u>4,293,309</u>           |
| Capital assets, being depreciated:         |                               |                     |   |                            |
| Building and improvements                  | 219,911                       | -                   | -                                       | 219,911                    |
| Machinery, equipment, and vehicles         | 1,251,633                     | -                   | -                                       | 1,251,633                  |
| Distribution systems                       | 24,620,479                    | 116,269             | -                                       | 24,736,748                 |
| Total capital assets being depreciated     | <u>26,092,023</u>             | <u>116,269</u>      | <u>-</u>                                | <u>26,208,292</u>          |
| Less accumulated depreciation              |                               |                     |   |                            |
| Building and improvements                  | (72,381)                      | (5,959)             | -                                       | (78,340)                   |
| Machinery, equipment, and vehicles         | (1,202,182)                   | (14,978)            | -                                       | (1,217,160)                |
| Distribution systems                       | (8,280,976)                   | (494,735)           | -                                       | (8,775,711)                |
| Total accumulated depreciation             | <u>(9,555,539)</u>            | <u>(515,672)</u>    | <u>-</u>                                | <u>(10,071,211)</u>        |
| Net capital assets being depreciated       | <u>16,536,484</u>             | <u>631,941</u>      | <u>-</u>                                | <u>16,137,081</u>          |
| <b>Total Capital Assets</b>                | <u>\$ 16,888,220</u>          | <u>\$ 4,573,514</u> | <u>\$ -</u>                             | <u>\$ 20,430,390</u>       |

Depreciation was charged to business-type activities functions as follows:

|  |                   |
|--|-------------------|
| Electric   | \$ 129,760        |
| Water  | 201,878           |
| Sewer  | 172,362           |
| Administration   | 11,672            |
| <b>Total Business-Type Activities Depreciation Expense</b> | <u>\$ 515,672</u> |

**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

**D. Other Long-term Liabilities**

The following comprise compensated absences balances of the primary government at year end. In general, the City uses the general fund to liquidate governmental compensated absences.

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|--|------------------------------|------------------|-------------------|---------------------------|--|
| <b>Governmental Activities:</b>                              |                              |                  |                   |                           |  |
| Compensated Absences   | \$ 83,202                    | \$ 13,692        | \$ -              | \$ 96,894                 | \$ 87,205                                  |
| <b>Total Governmental Activities</b>                         | <u>\$ 83,202</u>             | <u>\$ 13,692</u> | <u>\$ -</u>       | <u>\$ 96,894</u>          | <u>\$ 87,205</u>                           |
| <b>Other Long-term Liabilities Due in More than One Year</b> |                              |                  |                   | <u>\$ 9,689</u>           |  |
| <b>Business-Type Activities:</b>                             |                              |                  |                   |                           |  |
| Compensated Absences   | \$ 37,484                    | \$ -             | \$ (447)          | \$ 37,037                 | \$ 33,333                                  |
| <b>Total Business-Type Activities</b>                        | <u>\$ 37,484</u>             | <u>\$ -</u>      | <u>\$ (447)</u>   | <u>\$ 37,037</u>          | <u>\$ 33,333</u>                           |
| <b>Other Long-term Liabilities Due in More than One Year</b> |                              |                  |                   | <u>\$ 3,704</u>           |  |

**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

**E. Long-term Debt**

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|--|------------------------------|------------------|---------------------|---------------------------|--|
| <b>Governmental Activities:</b>                        |                              |                  |                     |                           |  |
| Certificates of Obligation                             | \$ 438,438                   | \$ -             | \$ (84,084)         | \$ 354,354                | \$ 87,087                                  |
| Notes payable  | 96,446                       | -                | (96,446)            | -                         | -  |
| Capital leases   | 150,053                      | -                | (61,006)            | 89,047                    | 25,853                                     |
| <b>Total Governmental Activities</b>                   | <u>\$ 684,937</u>            | <u>\$ -</u>      | <u>\$ (241,536)</u> | <u>\$ 443,401</u>         | <u>\$ 112,940</u>                          |
|  |                              |                  |                     | <u>\$ 330,461</u>         |  |
| <b>Long-term Liabilities Due in More than One Year</b> |                              |                  |                     |                           |  |
| <b>Business-Type Activities:</b>                       |                              |                  |                     |                           |  |
| General Obligation Bonds                               | \$ 2,835,000                 | \$ -             | \$ (290,000)        | \$ 2,545,000              | \$ 300,000                                 |
| Certificates of Obligation                             | 3,466,562                    | -                | (275,916)           | 3,190,646                 | 287,912                                    |
| Deferred Amounts:                                      |                              |                  |                     |                           |  |
| Bond Premium   | 2,073                        | -                | (189)               | 1,884                     | -  |
| <b>Total Business-Type Activities</b>                  | <u>\$ 6,301,562</u>          | <u>\$ -</u>      | <u>\$ (566,105)</u> | <u>\$ 5,737,530</u>       | <u>\$ 587,912</u>                          |
|  |                              |                  |                     | <u>\$ 5,149,618</u>       |  |
| <b>Long-term Liabilities Due in More than One Year</b> |                              |                  |                     |                           |  |

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Capital leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset.



**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

Long-term debt at year end was comprised of the following debt issues:

| Description                             | Interest Rates | Maturity Date | Original Balance    | Current Balance     |
|---|----------------|---------------|---------------------|---------------------|
| <b>Governmental Activities:</b>         |                |               |                     |                     |
| 2013 Certificates of Obligation         | 4.55%          | 3/1/2024      | \$ 1,385,000        | \$ 354,354          |
| <b>Total Certificates of Obligation</b> |                |               | <b>\$ 1,385,000</b> | <b>\$ 354,354</b>   |
| Physio Heart Monitor                    | 2.78%          | 6/18/2023     | 20,780              | 14,204              |
| Power Lifts and Stretchers              | 4.92%          | 4/26/2023     | 120,977             | 74,843              |
| <b>Total Capital Leases</b>             |                |               | <b>\$ 141,757</b>   | <b>\$ 89,047</b>    |
| <b>Total Governmental Activities</b>    |                |               | <b>\$ 1,526,757</b> | <b>\$ 443,401</b>   |
| <br><b>Business Type Activities:</b>    |                |               |                     |                     |
| 2006 Certificates of Obligation         | 4.54%          | 8/15/2026     | \$ 1,500,000        | \$ 705,000          |
| 2012 Certificates of Obligation         | 2.15%          | 8/15/2032     | 3,150,000           | 2,250,000           |
| 2013 Certificates of Obligation         | 1.88%          | 8/15/2023     | 553,169             | 235,646             |
| <b>Total Certificates of Obligation</b> |                |               | <b>\$ 5,203,169</b> | <b>\$ 3,190,646</b> |
| 2016 General Obligation Bonds           | 1.74%          | 8/15/2027     | 2,650,000           | 2,545,000           |
| <b>Total General Obligation Bonds</b>   |                |               | <b>\$ 2,650,000</b> | <b>\$ 2,545,000</b> |
| <b>Total Business-Type Activities</b>   |                |               | <b>\$ 7,853,169</b> | <b>\$ 5,735,646</b> |

# City of Luling, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

March 31, 2020

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

| <b>Governmental Activities</b> |                            |                  |                  |                 |
|--------------------------------|----------------------------|------------------|------------------|-----------------|
| Year ending                    | Certificates of Obligation |                  | Capital Leases   |                 |
| March 31,                      | Principal                  | Interest         | Principal        | Interest        |
| 2021                           | \$ 87,087                  | \$ 5,843         | \$ 25,853        | \$ 4,029        |
| 2022                           | 87,087                     | 4,206            | 27,198           | 2,684           |
| 2023                           | 90,090                     | 2,541            | 28,592           | 1,291           |
| 2024                           | 90,090                     | 847              | 7,404            | 88              |
| <b>Total</b>                   | <b>\$ 354,354</b>          | <b>\$ 13,437</b> | <b>\$ 89,047</b> | <b>\$ 8,092</b> |

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

| <b>Business-Type Activities</b> |                            |                   |                          |                   |
|---------------------------------|----------------------------|-------------------|--------------------------|-------------------|
| Year ending                     | Certificates of Obligation |                   | General Obligation Bonds |                   |
| March 31,                       | Principal                  | Interest          | Principal                | Interest          |
| 2021                            | \$ 287,912                 | \$ 80,647         | \$ 300,000               | \$ 41,673         |
| 2022                            | 292,914                    | 72,613            | 305,000                  | 36,410            |
| 2023                            | 304,910                    | 64,346            | 300,000                  | 31,146            |
| 2024                            | 314,910                    | 55,734            | 305,000                  | 25,883            |
| 2025                            | 265,000                    | 47,357            | 300,000                  | 20,619            |
| 2026                            | 275,000                    | 39,216            | 305,000                  | 15,335            |
| 2027                            | 285,000                    | 30,747            | 305,000                  | 10,049            |
| 2028                            | 175,000                    | 24,550            | 425,000                  | 3,698             |
| 2029                            | 185,000                    | 20,680            | -                        | -                 |
| 2030                            | 190,000                    | 16,649            | -                        | -                 |
| 2031                            | 200,000                    | 12,231            | -                        | -                 |
| 2032                            | 205,000                    | 7,422             | -                        | -                 |
| 2033                            | 210,000                    | 2,494             | -                        | -                 |
| <b>Total</b>                    | <b>\$ 3,190,646</b>        | <b>\$ 474,686</b> | <b>\$ 2,545,000</b>      | <b>\$ 184,813</b> |

**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

**F. Interfund Transactions**

Transfers between the primary government funds during the year were as follows:

| <u>Transfer In:</u> | <u>Transfer Out</u> |                     | <u>Total</u>        |
|---------------------|---------------------|---------------------|---------------------|
|                     | <u>General</u>      | <u>Utility</u>      |                     |
| Debt service        | \$ 91,500           | \$ -                | \$ 91,500           |
| General             | -                   | 1,800,000           | 1,800,000           |
| <b>Total</b>        | <u>\$ 91,500</u>    | <u>\$ 1,800,000</u> | <u>\$ 1,891,500</u> |

Transfers between funds were primarily to support debt service requirements and operation of funds.

The compositions of interfund balances between the primary government funds as of March 31, 2020 were as follows:

| <u>Receivable fund:</u> | <u>Payable fund:</u> |                              | <u>Total</u>    |
|-------------------------|----------------------|------------------------------|-----------------|
|                         | <u>Utility</u>       | <u>Nonmajor Governmental</u> |                 |
| Debt service            | \$ 7,700             | \$ -                         | \$ 7,700        |
| General                 | -                    | 133                          | 133             |
| <b>Total</b>            | <u>\$ 7,700</u>      | <u>\$ 133</u>                | <u>\$ 7,833</u> |

The compositions of interfund balances between the primary government and component unit as of March 31, 2020 were as follows:

| <u>Receivable fund:</u> | <u>Payable fund:</u> |                  |
|-------------------------|----------------------|------------------|
|                         | <u>General</u>       | <u>Total</u>     |
| EDC                     | \$ 68,441            | \$ 68,441        |
| <b>Total</b>            | <u>\$ 68,441</u>     | <u>\$ 68,441</u> |

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

**G. Fund Equity**

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balances restricted/committed by the City:

|                  | <b>Restricted</b> |
|------------------|-------------------|
| Municipal court  | \$ 16,882 *       |
| Debt service     | 153,596           |
| Grant activities | 8,500             |
| <b>Total</b>     | <b>\$ 178,978</b> |

\*Restricted by enabling legislation

**V. OTHER INFORMATION**

**A. 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 over 2,800 other entities in the Texas Municipal League Intergovernmental Risk Pools. 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.

**B. Contingent Liabilities**

Amounts received or receivable 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.

**City of Luling, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
March 31, 2020

**C. Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

**D. Pension Plans**

**Texas Municipal Retirement Systems**

**1. Plan Description**

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

**2. Benefits Provided**

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

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

# City of Luling, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

March 31, 2020

options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

|  | <u>Plan Year 2019</u>    | <u>Plan Year 2018</u>    |
|--|--------------------------|--------------------------|
| Employee deposit rate  | 5.0%                     | 5.0%                     |
| Matching ratio (city to employee)                                    | 2 to 1                   | 2 to 1                   |
| Years required for vesting   | 10                       | 10                       |
| Service retirement eligibility (expressed as age / years of service) | 60/10, 0/25              | 60/10, 0/25              |
| Updated service credit   | 100% Repeating Transfers | 100% Repeating Transfers |
| Annuity increase (to retirees)                                       | 70% of CPI               | 70% of CPI               |

### **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 | 42         |
| Inactive employees entitled to but not yet receiving benefits    | 64         |
| Active employees   | 90         |
| <b>Total</b>   | <b>196</b> |

### **3. 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 Luling were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Luling were 9.30% and 8.60% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended March 31, 2020, were \$369,245, and were equal to the required contributions.

**City of Luling, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
March 31, 2020

**4. 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.

**Actuarial assumptions:**

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5% per year  |
| Overall payroll growth    | 3.0% per year  |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 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. 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

# City of Luling, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

March 31, 2020

percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

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

### Discount Rate:

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

### Sensitivity of the Net Pension Liability (Asset) 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 (asset) 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<br>5.75% | Current Single Rate<br>Assumption 6.75% | 1% Increase<br>7.75% |
|----------------------|---|----------------------|
| \$ 1,339,827         | \$ (30,670)                             | \$ (1,145,351)       |



**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

**Changes in the Net Pension Liability:**

|  | <b>Total Pension<br/>Liability (a)</b> | <b>Plan Fiduciary Net<br/>Position (b)</b> | <b>Net Pension Liability<br/>(Asset) (a) – (b)</b> |
|--|--|--|--|
| <b>Balance at 12/31/18</b>                                   | \$ 10,277,367                          | \$ 8,564,394                               | \$ 1,712,973                                       |
| Changes for the year:  |  |  |  |
| Service Cost   | 415,713                                | -  | 415,713  |
| Interest   | 693,089                                | -  | 693,089  |
| Change in benefit terms                                      | -                                      | -  | -  |
| Difference between expected and<br>actual experience         | (978,802)                              | -  | (978,802)  |
| Changes of assumptions                                       | (7,670)                                | -  | (7,670)  |
| Contributions – employer                                     | -                                      | 357,645                                    | (357,645)  |
| Contributions – employee                                     | -                                      | 192,282                                    | (192,282)  |
| Net investment income  | -                                      | 1,323,752                                  | (1,323,752)  |
| Benefit payments, including<br>refunds of emp. contributions | (434,490)                              | (434,490)                                  | -  |
| Administrative expense                                       | -                                      | (7,481)                                    | 7,481  |
| Other changes  | -                                      | (225)                                      | 225  |
| Net changes  | (312,160)                              | 1,431,483                                  | (1,743,643)  |
| <b>Balance at 12/31/19</b>                                   | <b>\$ 9,965,207</b>                    | <b>\$ 9,995,877</b>                        | <b>\$ (30,670)</b>                                 |

**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).

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

For the year ended March 31, 2020, the City recognized pension income of \$30,080.

**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

At March 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred (Inflows)<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual economic experience | \$ -                                      | \$ (816,373)                               |
| Changes in assumptions                                      | -   | (5,485)                                    |
| Difference between projected and investment earnings        | -   | (299,720)                                  |
| Contributions subsequent to the measurement date            | 88,688                                    | -  |
| <b>Total</b>  | <b>\$ 88,688</b>                          | <b>\$ (1,121,578)</b>                      |

The City reported \$88,688 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending March 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended December 31:</b> |    |             |
|--------------------------------|----|-------------|
| 2020                           | \$ | (448,276)   |
| 2021                           |    | (404,345)   |
| 2022                           |    | (119,825)   |
| 2023                           |    | (149,132)   |
| 2024                           |    | -           |
| Thereafter                     |    | -           |
|                                | \$ | (1,121,578) |

**6. Supplemental Death Benefits Fund**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

# City of Luling, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

March 31, 2020

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

### 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 | 30         |
| Inactive employees entitled to but not yet receiving benefits    | 7          |
| Active employees   | 90         |
| <b>Total</b>   | <b>127</b> |

The City's contributions to the TMRS SDBF for the years ended 2020 was \$4,048, which equaled the required contributions each year.

| <u>Three-Year Contribution Information</u> |  |  |                                     |
|--|--|--|-------------------------------------|
| Plan/<br>Calendar Year                     | Annual<br>Required<br>Contribution<br>(Rate) | Actual<br>Contribution<br>Made<br>(Rate) | Percentage of<br>ARC<br>Contributed |
| 2018                                       | 0.35%  | 0.35%                                    | 100.0%                              |
| 2019                                       | 0.30%  | 0.30%                                    | 100.0%                              |
| 2020                                       | 0.30%  | 0.30%                                    | 100.0%                              |

### Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2019, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

### Actuarial assumptions:

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

|  |   |
|--|---|
| Inflation                                | 2.5% per year                               |
| Overall payroll growth                   | 3.5% to 11.5%, including inflation per year |
| Discount rate                            | 2.75%                                       |
| Retirees' share of benefit-related costs | \$0   |



**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

**Changes in the Total OPEB Liability:**

|  | <b>Total OPEB<br/>Liability</b> |
|--|---------------------------------|
| <b>Balance at 12/31/18</b>                           | <b>\$ 226,488</b>               |
| Changes for the year:                                |                                 |
| Service Cost   | 8,845                           |
| Interest   | 8,495                           |
| Difference between expected and<br>actual experience | (11,547)                        |
| Changes of assumptions                               | 39,973                          |
| Benefit payments                                     | (3,846)                         |
| Net changes  | 41,920                          |
| <b>Balance at 12/31/19</b>                           | <b>\$ 268,408</b>               |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended March 31, 2020, the City recognized OPEB expense of \$18,300.

At March 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred (Inflows)<br/>of Resources</b> |
|--|---|--|
| Changes in actuarial assumptions                     | \$ 23,751                                 | \$ -                                       |
| Difference between expected and<br>actual experience | -   | (16,769)                                   |
| Contributions subsequent to<br>measurement date      | 1,031                                     | -  |
| <b>Total</b>   | <b>\$ 24,782</b>                          | <b>\$ (16,769)</b>                         |

The City reported \$1,031 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending March 31, 2021.

**City of Luling, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**March 31, 2020**

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended December 31:</b> |          |
|--------------------------------|----------|
| 2020                           | \$ 960   |
| 2021                           | 960      |
| 2022                           | 960      |
| 2023                           | 1,331    |
| 2024                           | 2,771    |
| Thereafter                     | -        |
|                                | \$ 6,982 |

**E. Restatement**

The City restated beginning fund balance/net position within governmental and business-type activities due to corrections to the prior year net pension and OPEB liability balances. In addition, the City made corrections to receivables, payables, and deferred inflows in governmental and component unit activities. The restatement of beginning net position/fund balance is as follows:

|  | <b>Governmental<br/>Activities</b>  | <b>General</b> | <b>Nonmajor<br/>Governmental</b> |
|--|-------------------------------------|----------------|----------------------------------|
| Prior year ending net position/<br>fund balance, as reported | \$ 7,437,712                        | \$ 1,099,600   | \$ 254,989                       |
| Adjustment to Net Pension Liability balances                 | (315,416)                           | -              | -                                |
| Adjustment to OPEB Liability balances                        | (191,745)                           | -              | -                                |
| Correction to sales tax receivable                           | 61,999                              | 61,999         | -                                |
| Correction to deferred inflows for grant revenues            | (32,773)                            | -              | (32,773)                         |
| Removal of long-term EMS receivable                          | (2,536,966)                         | -              | -                                |
| Restated beginning net position/fund balance                 | \$ 4,422,811                        | \$ 1,161,599   | \$ 222,216                       |
|  | <b>Business-type<br/>Activities</b> | <b>Utility</b> |                                  |
| Prior year ending net position, as reported                  | \$ 12,681,868                       | \$ 12,681,868  |                                  |
| Adjustment to Net Pension Liability balances                 | (43,133)                            | (43,133)       |                                  |
| Adjustment to OPEB Liability balances                        | (54,398)                            | (54,398)       |                                  |
| Restated beginning net position                              | \$ 12,584,337                       | \$ 12,584,337  |                                  |

**City of Luling, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
**March 31, 2020**

|  | <b>Component Unit<br/>Activities</b> |
|--|--------------------------------------|
| Prior year ending net position/<br>fund balance, as reported | \$ 3,063,185                         |
| Correction to sales tax receivable                           | 34,984                               |
| Correction to payroll liabilities                            | <u>(6,871)</u>                       |
| Restated beginning net position/fund balance                 | <u>\$ 3,091,298</u>                  |

**F. Subsequent Events**

There were no material subsequent events through October 30, 2020, the date the financial statements were issued.

(This page intentionally left blank.)



***REQUIRED SUPPLEMENTARY INFORMATION***

(This page intentionally left blank.)

**City of Luling, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended March 31, 2020**

|   | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual</u>       | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|----------------------------|---------------------|---------------------|---|
| <b><u>Revenues</u></b>                          |                            |                     |                     |   |
| Property tax                                    | \$ 1,265,000               | \$ 1,365,500        | \$ 1,366,880        | \$ 1,380  |
| Sales tax                                       | 810,000                    | 876,000             | 860,336             | (15,664)  |
| Franchise and local taxes                       | 129,600                    | 126,600             | 119,042             | (7,558)   |
| License and permits                             | 73,090                     | 66,590              | 68,268              | 1,678   |
| Charges for services                            | 1,606,986                  | 1,490,986           | 1,424,453           | (66,533)  |
| Intergovernmental revenue                       | 79,682                     | 125,432             | 366,382             | 240,950   |
| Fines and forfeitures                           | 158,225                    | 133,225             | 132,525             | (700)   |
| Investment income                               | 16,000                     | 21,500              | 20,117              | (1,383)   |
| Other revenues                                  | 58,279                     | 78,279              | 334,472             | 256,193   |
| <b>Total Revenues</b>                           | <u>4,196,862</u>           | <u>4,284,112</u>    | <u>4,692,475</u>    | <u>408,363</u>  |
| <b><u>Expenditures</u></b>                      |                            |                     |                     |   |
| Current:  |                            |                     |                     |   |
| General government                              | 287,452                    | 302,452             | 299,671             | 2,781   |
| Public safety                                   | 2,838,560                  | 2,835,872           | 2,821,234           | 14,638  |
| Fire safety                                     | 533,453                    | 507,953             | 505,206             | 2,747   |
| Culture and recreation                          | 172,052                    | 170,952             | 195,671             | (24,719)  |
| Municipal court                                 | 150,736                    | 169,336             | 170,189             | (853)   |
| Public works                                    | 1,532,843                  | 1,748,560           | 2,023,283           | (274,723)   |
| Nondepartmental                                 | 393,045                    | 364,895             | 378,251             | (13,356)  |
| Debt service:                                   |                            |                     |                     |   |
| Principal                                       | 157,452                    | 157,452             | 157,452             | -   |
| Interest  | 10,880                     | 10,880              | 10,880              | -   |
| <b>Total Expenditures</b>                       | <u>6,076,473</u>           | <u>6,268,352</u>    | <u>6,561,837</u>    | <u>(293,485) *</u>  |
| <b>Revenues Over (Under)<br/>Expenditures</b>   | <u>(1,879,611)</u>         | <u>(1,984,240)</u>  | <u>(1,869,362)</u>  | <u>114,878</u>  |
| <b><u>Other Financing Sources (Uses)</u></b>    |                            |                     |                     |   |
| Transfers in                                    | 1,800,000                  | 2,000,000           | 1,800,000           | (200,000)   |
| Transfers (out)                                 | (91,800)                   | (91,800)            | (91,500)            | 300   |
| <b>Total Other<br/>Financing Sources (Uses)</b> | <u>1,708,200</u>           | <u>1,908,200</u>    | <u>1,708,500</u>    | <u>(199,700)</u>  |
| <b>Net Change in Fund Balance</b>               | <u>\$ (171,411)</u>        | <u>\$ (76,040)</u>  | <u>(160,862)</u>    | <u>\$ (84,822)</u>  |
| Beginning fund balance                          |                            |                     | 1,161,599           |   |
| <b>Ending Fund Balance</b>                      |                            |                     | <u>\$ 1,000,737</u> |   |

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. \* Expenditures exceeded appropriations at the legal level of control.

# City of Luling, Texas

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended December 31,

|   | 2019                 | 2018                 | 2017                | 2016                |
|---|----------------------|----------------------|---------------------|---------------------|
| Total pension liability   |                      |                      |                     |                     |
| Service cost  | \$ 415,713           | \$ 388,526           | \$ 328,504          | \$ 329,287          |
| Interest  | 693,089              | 664,390              | 636,169             | 608,242             |
| Differences between expected and actual experience                                    | (978,802)            | (157,391)            | (95,165)            | (178,129)           |
| Changes of assumptions  | (7,670)              | -                    | -                   | -                   |
| Benefit payments, including refunds of participant contributions                      | (434,490)            | (533,433)            | (429,409)           | (261,132)           |
| <b>Net change in total pension liability</b>  | <b>(312,160)</b>     | <b>362,092</b>       | <b>440,099</b>      | <b>498,268</b>      |
| <b>Total pension liability - beginning</b>  | <b>\$ 10,277,367</b> | <b>\$ 9,915,275</b>  | <b>\$ 9,475,176</b> | <b>\$ 8,976,908</b> |
| <b>Total pension liability - ending (a)</b>   | <b>\$ 9,965,207</b>  | <b>\$ 10,277,367</b> | <b>\$ 9,915,275</b> | <b>\$ 9,475,176</b> |
| <b>Plan fiduciary net position</b>  |                      |                      |                     |                     |
| Contributions - employer  | \$ 357,645           | \$ 333,072           | \$ 291,296          | \$ 257,085          |
| Contributions - members   | 192,282              | 177,734              | 151,245             | 151,049             |
| Net investment income   | 1,323,752            | (265,307)            | 1,077,257           | 483,011             |
| Benefit payments, including refunds of participant contributions                      | (434,490)            | (533,433)            | (429,409)           | (261,132)           |
| Administrative expenses   | (7,481)              | (5,128)              | (5,583)             | (5,456)             |
| Other   | (225)                | (269)                | (282)               | (294)               |
| <b>Net change in plan fiduciary net position</b>                                      | <b>1,431,483</b>     | <b>(293,331)</b>     | <b>1,084,524</b>    | <b>624,263</b>      |
| <b>Plan fiduciary net position - beginning</b>  | <b>8,564,394</b>     | <b>8,857,725</b>     | <b>7,773,201</b>    | <b>7,148,938</b>    |
| <b>Plan fiduciary net position - ending (b)</b>                                       | <b>\$ 9,995,877</b>  | <b>\$ 8,564,394</b>  | <b>\$ 8,857,725</b> | <b>\$ 7,773,201</b> |
| <b>Fund's net pension liability (asset) - ending (a) - (b)</b>                        | <b>\$ (30,670)</b>   | <b>\$ 1,712,973</b>  | <b>\$ 1,057,550</b> | <b>\$ 1,701,975</b> |
| <br><b>Plan fiduciary net position as a percentage of the total pension liability</b> |                      |                      |                     |                     |
|   | 100.31%              | 83.33%               | 89.33%              | 82.04%              |
| <b>Covered payroll</b>  | <b>\$ 3,845,636</b>  | <b>\$ 3,554,677</b>  | <b>\$ 3,024,903</b> | <b>\$ 3,020,985</b> |
| <b>Fund's net position as a percentage of covered payroll</b>                         | <b>-0.80%</b>        | <b>48.19%</b>        | <b>34.96%</b>       | <b>56.34%</b>       |

**Notes to schedule:**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

**2015** <sup>1</sup>

\$ 297,602  
586,902

(41,511)  
63,770

(330,741)

576,022

\$ 8,400,886

\$ 8,976,908

\$ 261,262  
150,152  
10,243

(330,741)

(6,349)

(132)

84,435

7,064,503

\$ 7,148,938

\$ 1,827,970

79.64%

\$ 3,003,048

60.87%

# City of Luling, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

|  | <u>3/31/2020</u> | <u>3/31/2019</u> | <u>3/31/2018</u> | <u>3/31/2017</u> | <u>3/31/2016</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Actuarially determined employer contributions                        | \$ 369,245       | \$ 347,501       | \$ 311,094       | \$ 270,805       | \$ 271,486       |
| Contributions in relation to the actuarially determined contribution | \$ 369,245       | \$ 347,501       | \$ 311,094       | \$ 270,805       | \$ 271,486       |
| Contribution deficiency (excess)                                     | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             |
| Annual covered payroll   | \$ 4,048,002     | \$ 3,585,352     | \$ 3,149,522     | \$ 2,992,303     | \$ 3,031,859     |
| Employer contributions as a percentage of covered payroll            | 9.12%            | 9.69%            | 9.88%            | 9.05%            | 8.95%            |

<sup>1</sup>This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

### NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

|                               |   |
|-------------------------------|---|
| Actuarial Cost Method         | Entry Age Normal  |
| Amortization Method           | Level Percentage of Payroll, Closed   |
| Remaining Amortization Period | 26 years  |
| Asset Valuation Method        | 10 Year smoothed market; 15% soft corridor  |
| Inflation                     | 2.5%  |
| Salary Increases              | 3.50% to 11.5% including inflation  |
| Investment Rate of Return     | 6.75%   |
| Retirement Age                | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018 |

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables.  
Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females.

**Other Information:**

Notes There were no benefit changes during the year.

# City of Luling, Texas

**SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN  
PENSIONS (OPEB) LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SUPPLEMENTAL DEATH BENEFITS PLAN  
Years Ended December 31,**

|  | 2019                    | 2018                    | <sup>1</sup> |
|--|-------------------------|-------------------------|--------------|
| Total OPEB liability   |                         |                         |              |
| Service cost   | \$ 8,845                | \$ 9,242                |              |
| Interest   | 8,495                   | 7,967                   |              |
| Differences between expected and actual experience                     | (11,547)                | (11,042)                |              |
| Changes of assumptions   | 39,973                  | (13,613)                |              |
| Benefit payments, including refunds of participant contributions       | (3,846)                 | (4,266)                 |              |
| <b>Net change in total OPEB liability</b>                              | <b>41,920</b>           | <b>(11,712)</b>         |              |
| <b>Total OPEB liability - beginning</b>                                | <b>\$ 226,488</b>       | <b>\$ 238,200</b>       |              |
| <b>Total OPEB liability - ending</b>                                   | <b>\$ 268,408</b>       | <b>\$ 226,488</b>       | <sup>2</sup> |
| <br><b>Covered payroll</b>   | <br><b>\$ 3,845,636</b> | <br><b>\$ 3,554,677</b> |              |
| <b>Fund's net position as a percentage of covered employee payroll</b> | <b>6.98%</b>            | <b>6.37%</b>            |              |

**Notes to schedule:**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

<sup>2</sup> No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

(This page intentionally left blank.)



***OTHER SUPPLEMENTARY INFORMATION***

(This page intentionally left blank.)

# ***NONMAJOR GOVERNMENTAL FUNDS***

## ***DEBT SERVICE FUND***

This fund accounts for monies used to pay the revenue bond debt.

## ***COURT SECURITY FUND***

This fund accounts for proceeds to be used for court security puposes.

## ***COURT TECHNOLOGY FUND***

This fund accounts for proceeds to be used for court technology purposes.

## ***GRANT FUND***

This fund accounts for grant proceeds to be used for sewer system improvements .

**City of Luling, Texas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**March 31, 2020**

|  | <u>Debt</u><br><u>Service Fund</u> | <u>Court</u><br><u>Security</u> | <u>Court</u><br><u>Technology</u> | <u>Grant</u>     | <u>Total</u><br><u>Nonmajor</u><br><u>Governmental</u> |
|--|------------------------------------|---------------------------------|-----------------------------------|------------------|--|
| <b><u>Assets</u></b>   |                                    |                                 |                                   |                  |  |
| Cash and cash equivalents  | \$ 145,896                         | \$ 17,253                       | \$ -                              | \$ 10,424        | \$ 173,573   |
| Accounts receivable  | -                                  | -                               | -                                 | 75,625           | 75,625   |
| Due from other funds   | 7,700                              | -                               | -                                 | -                | 7,700  |
| <b>Total Assets</b>  | <b>\$ 153,596</b>                  | <b>\$ 17,253</b>                | <b>\$ -</b>                       | <b>\$ 86,049</b> | <b>\$ 256,898</b>                                      |
| <b><u>Liabilities</u></b>  |                                    |                                 |                                   |                  |  |
| Accounts payable   | \$ -                               | \$ 371                          | \$ 212                            | \$ 1,935         | \$ 2,518   |
| Due to other funds   | -                                  | -                               | 133                               | -                | 133  |
| <b>Total Liabilities</b>   | <b>-</b>                           | <b>371</b>                      | <b>345</b>                        | <b>1,935</b>     | <b>2,651</b>   |
| <b><u>Deferred Inflows of Resources</u></b>                      |                                    |                                 |                                   |                  |  |
| Unavailable revenue - receivables                                | -                                  | -                               | -                                 | 75,614           | 75,614   |
| <b><u>Fund Balances</u></b>                                      |                                    |                                 |                                   |                  |  |
| Restricted for:  |                                    |                                 |                                   |                  |  |
| Municipal court  | -                                  | 16,882                          | -                                 | -                | 16,882   |
| Debt service   | 153,596                            | -                               | -                                 | -                | 153,596  |
| Grant activities   | -                                  | -                               | -                                 | 8,500            | 8,500  |
| Unassigned   | -                                  | -                               | (345)                             | -                | (345)  |
| <b>Total Fund Balances</b>                                       | <b>153,596</b>                     | <b>16,882</b>                   | <b>(345)</b>                      | <b>8,500</b>     | <b>178,633</b>   |
| <b>Total Liabilities, Deferred Inflows<br/>and Fund Balances</b> | <b>\$ 153,596</b>                  | <b>\$ 17,253</b>                | <b>\$ -</b>                       | <b>\$ 10,435</b> | <b>\$ 181,284</b>                                      |

# City of Luling, Texas

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended March 31, 2020

|   | Debt<br>Service Fund | Court<br>Security | Court<br>Technology | Grant     | Total<br>Nonmajor<br>Governmental |
|---|----------------------|-------------------|---------------------|-----------|-----------------------------------|
| <b><u>Revenues</u></b>                          |                      |                   |                     |           |                                   |
| Other revenue                                   | \$ -                 | \$ -              | \$ -                | \$ 32,772 | \$ 32,772                         |
| Municipal court fees                            | -                    | 3,440             | 9,381               | -         | 12,821                            |
| Investment income                               | 5,321                | -                 | -                   | 2,130     | 7,451                             |
| <b>Total Revenues</b>                           | 5,321                | 3,440             | 9,381               | 34,902    | 53,044                            |
| <b><u>Expenditures</u></b>                      |                      |                   |                     |           |                                   |
| General government                              | -                    | -                 | 11,684              | 79,149    | 90,833                            |
| Public safety                                   | -                    | 5,758             | -                   | -         | 5,758                             |
| Debt service:                                   |                      |                   |                     |           |                                   |
| Principal                                       | 84,084               | -                 | -                   | -         | 84,084                            |
| Interest  | 7,452                | -                 | -                   | -         | 7,452                             |
| <b>Total Expenditures</b>                       | 91,536               | 5,758             | 11,684              | 79,149    | 188,127                           |
| <b>Revenues Over<br/>(Under) Expenditures</b>   | (86,215)             | (2,318)           | (2,303)             | (44,247)  | (135,083)                         |
| <b><u>Other Financing Sources (Uses)</u></b>    |                      |                   |                     |           |                                   |
| Transfers in                                    | 91,500               | -                 | -                   | -         | 91,500                            |
| <b>Total Other Financing<br/>Sources (Uses)</b> | 91,500               | -                 | -                   | -         | 91,500                            |
| <b>Net Change in Fund Balances</b>              | 5,285                | (2,318)           | (2,303)             | (44,247)  | (43,583)                          |
| Beginning fund balances                         | 148,311              | 19,200            | 1,958               | 52,747    | 222,216                           |
| <b>Ending Fund Balances</b>                     | \$ 153,596           | \$ 16,882         | \$ (345)            | \$ 8,500  | \$ 178,633                        |