

CITY OF COMMERCE, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2021

**City of Commerce, Texas
Annual Financial Report
Year Ended September 30, 2021**

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report.....	3
<u>Required Supplementary Information</u>	
Management's Discussion and Analysis.....	7
<u>Basic Financial Statements</u>	
Government-wide Financial Statements	
Statement of Net Position.....	18
Statement of Activities.....	19
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Fund Net Position - Proprietary Funds.....	23
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	24
Statement of Cash Flows - Proprietary Funds.....	25
Notes to Financial Statements.....	26
<u>Required Supplementary Information</u>	
Budgetary Comparison Schedule - General Fund.....	53
Schedule of Changes in Net Pension Liability and Related Ratios	54
Schedule of Pension Contributions.....	55
Schedule of Changes in Total OPEB Liability and Related Ratios	56
<u>Combining Non-Major Governmental Fund Financial Statements</u>	
Combining Balance Sheet – Other Governmental Funds.....	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Other Governmental Funds.....	59
<u>Supplementary Schedules (unaudited)</u>	
Historical Schedule of Taxable Property Valuation.....	61
Schedule of Delinquent Taxes Receivable.....	62
Budgetary Comparison Schedule – Debt Service Fund.....	63

FINANCIAL SECTION

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Governmental Audit Quality Center

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American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

Independent Auditor's Report

To the City Council
City of Commerce, 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 Commerce, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Commerce, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; budgetary comparison information; schedule of changes in net pension liability and related ratios; schedule of pension contributions; and the schedule of changes in total OPEB liability and related ratios on pages 7 through 16 and 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Commerce, Texas' basic financial statements. The combining nonmajor fund financial statements and supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2022, on our consideration of the City of Commerce, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Commerce, Texas' 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 of Commerce, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

Scott, Singleton, Fincher and Company, PC

Scott, Singleton, Fincher and Company, PC

Certified Public Accountants

Greenville, Texas

March 14, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

Management of the City of Commerce presents the City's financial statements. This overview is an analysis of the financial activities of the City for the fiscal year ended September 30, 2021. This discussion should be read in conjunction with the financial statements and related notes.

FINANCIAL HIGHLIGHTS:

- Government-wide net position reported in the Statement of Net Position is \$19,653,454. Of this amount, \$16,568,106 is invested in capital assets or restricted for debt service, capital projects, and other specific expenses. The remaining \$3,085,348 is unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors.
- Government-wide net position increased by \$708,285.
- Each of the City's fund financial statements reported changes in equity as follows:

General Fund – \$333,385 increase

Debt Service Fund – \$13,210 increase

Capital Projects Fund - \$1,377,651 increase

Grants Fund – (\$7,049) decrease

Other Governmental Funds – \$1,584 increase

Water, Sewer, & Environmental Waste Services Fund – (\$231,039) decrease

Water District Fund – (\$103) decrease

Internal Service Fund – (\$20,829) decrease

USING THIS ANNUAL REPORT:

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests and appropriations from the State. Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the water and sewer system. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

REPORTING THE CITY AS A WHOLE-GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Statement of Net Position and the Statement of Activities

Government-wide financial statements provide an analysis of the City's overall financial condition and operations. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the City's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions and 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current year or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and the changes in them. The City's net position (the difference between assets and liabilities) provides one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Non-financial factors should also be considered to fully assess the overall health of the City, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities:

Governmental Activities – Most of the City's services are reported here, including, administration, judicial, fire and emergency services, community development, public works, police, parks and recreation, library, and airport activities. Property taxes and state and federal grants finance most of these activities.

Business-type Activities – The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system operations and sanitation services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. The City's administration establishes funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary - use different accounting approaches.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash), and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules found at the bottom or adjacent to each of the governmental fund financial statements.

Proprietary Funds – The Proprietary Funds are used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

Net position serves as one useful indicator of a government's financial position. In the case of the City, the combined net position exceeded liabilities by \$19,653,454 and \$18,945,169 at the close of FY 2021 and FY 2020, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:

The combined net position of the City's activities increased by \$708,285. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is \$3,085,348.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

As the City completed the year, the City's governmental funds reported fund balance of \$4,838,773 and the proprietary funds reported net position of \$10,120,789 for a reported combined fund balance and net position of \$14,959,562, which is a \$1,487,639 increase from last year.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets – the City's investment in capital assets reported in governmental activities and business-type activities was \$14,746,303 and \$14,783,555, respectively. This investment in capital assets includes land, buildings and improvements, equipment and vehicles. The change in the City's net investment in capital assets for the current fiscal year was a \$149,667 increase and a \$770,327 decrease in each of the respective activities. Additional information on capital asset activity can be found in note 5 to the financial statements.

Long-term Debt – at year-end the City had \$16,958,060 in bonds and capital leases outstanding – an increase of \$1,296,476. Additional information on long-term liabilities can be found in note 6 to the financial statements.

ECONOMIC CONDITIONS AND OUTLOOK:

As the U.S. continued to move through the COVID-19 pandemic in Fiscal Year 2021, and we all began to look forward to life after this world-wide health event, the local economy within and around the City of Commerce was able to maintain stability. While we did not see any major economic expansion, sales taxes as well as residential & commercial development continued to see steady growth.

The fundamental drivers of our local economy remain resilient:

- Texas A&M University – Commerce: While enrollment in on-campus learning has been down due to COVID restrictions, the University remains an integral part of the Texas A&M system and the State's educational strategies moving forward. University leadership continues to actively pursue their growth plan and strategic objectives. More information can be found on their website at www.tamuc.edu.
- The City's Economic Development Corporation has seen success in working with international manufacturers that are moving into U.S. markets. For example, the Canadian manufacturing company Nexii is opening their 2nd major facility in the U.S. here in Commerce. This will create up to 200 premium paying manufacturing jobs within the next 12-24 months. Hauru Pipe has been able to expand into the east Texas markets with a facility in Commerce which has also created jobs and improved critical construction materials for our regional construction markets.
- Lake Ralph Hall has begun construction just 11 miles to the north of Commerce. Projected for completion in 2025, this will provide yet another surface water lake within our immediate vicinity that is available for development and recreation activities.

UPCOMING DEVELOPMENTS:

Residential Developments:

- The City will see a new 270-home subdivision begin construction within the next year with Bloomfield Homes, a major residential developer from the DFW Metroplex. This new subdivision will be located around the Commerce Elementary School.
- The City will see a new 60-home subdivision begin construction within the next year with Countryside Homes. The development will happen on the eastern boundary of the City, near Ivory Moore Park.
- While no development deals have been executed, there are several multi-family (apartment) developers that have begun conversations with the City.

Commercial & Industrial Development:

- Commerce ISD was successful in getting voter approval for a new Middle School campus as well as various other academic and athletic improvements.
- Tractor Supply began construction on Live Oak St, near Hwy 24.
- ACE Hardware acquired and renovated some existing commercial space and began serving the region.
- Several new small businesses within the retail and food service sectors have recently opened.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please do not hesitate to contact the City Manager or the Finance Director by phone at (903) 886-1131 or by E-mail at Howdee.Lisenbee@commerctx.org or Jamie.Campbell@commerctx.org.

City of Commerce, Texas
Comparative Statements of Net Position
September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$ 6,539,627	\$ 3,718,903	\$ 3,251,157	\$ 2,446,734	\$ 9,790,784	\$ 6,165,637
Capital assets, net	14,746,303	14,596,636	14,783,555	15,553,882	29,529,858	30,150,518
Total Assets	21,285,930	18,315,539	18,034,712	18,000,616	39,320,642	36,316,155
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	316,687	278,972	39,141	34,480	355,828	313,452
Total Deferred Outflows of Resources	316,687	278,972	39,141	34,480	355,828	313,452
LIABILITIES						
Other liabilities	2,043,017	899,380	542,827	534,325	2,585,844	1,433,705
Long-term debt	9,600,525	8,577,550	7,357,535	7,084,034	16,958,060	15,661,584
Total Liabilities	11,643,542	9,476,930	7,900,362	7,618,359	19,543,904	17,095,289
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	426,410	524,343	52,702	64,806	479,112	589,149
Total Deferred Inflows of Resources	426,410	524,343	52,702	64,806	479,112	589,149
NET POSITION						
Net investment in capital assets	6,451,692	6,019,086	9,135,501	9,262,992	15,587,193	15,282,078
Restricted	980,913	329,528	-	-	980,913	329,528
Unrestricted	2,100,060	2,244,624	985,288	1,088,939	3,085,348	3,333,563
Total Net Position	\$ 9,532,665	\$ 8,593,238	\$ 10,120,789	\$ 10,351,931	\$ 19,653,454	\$ 18,945,169

City of Commerce, Texas
Comparative Statements of Activities
For the Years Ending September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	\$ 1,043,900	\$ 985,643	\$ 5,308,658	\$ 5,051,427	\$ 6,352,558	\$ 6,037,070
Operating grants/contributions	537,751	39,281			537,751	39,281
Capital grants/contributions	734,708	91,052			734,708	91,052
General revenues:						
Ad valorem taxes	3,189,225	2,902,353			3,189,225	2,902,353
Sales taxes	1,294,019	1,141,674			1,294,019	1,141,674
Franchise Taxes	499,580	487,413			499,580	487,413
Other	640,902	638,170	7,901	13,109	648,803	651,279
Total revenues	<u>7,940,085</u>	<u>6,285,586</u>	<u>5,316,559</u>	<u>5,064,536</u>	<u>13,256,644</u>	<u>11,350,122</u>
Expenses:						
Administration	2,323,515	1,652,042			2,323,515	1,652,042
Police department	1,671,085	1,554,263			1,671,085	1,554,263
Fire and emergency services	1,078,034	1,144,938			1,078,034	1,144,938
Public works	749,987	529,364			749,987	529,364
Parks and recreation	373,057	447,300			373,057	447,300
Development services	185,119	90,193			185,119	90,193
Judicial	59,946	64,422			59,946	64,422
Library	70,533	65,181			70,533	65,181
Airport	133,644	134,722			133,644	134,722
Interest and fiscal charges	253,951	252,447			253,951	252,447
Bond issuance costs	96,051				96,051	
Water, sewer, and environmental waste services			5,553,437	5,558,176	5,553,437	5,558,176
Total Expenses	<u>6,994,922</u>	<u>5,934,872</u>	<u>5,553,437</u>	<u>5,558,176</u>	<u>12,548,359</u>	<u>11,493,048</u>
Excess (deficiency) before transfers	945,163	350,714	(236,878)	(493,640)	708,285	(142,926)
Transfers	<u>(5,736)</u>	<u>523,242</u>	<u>5,736</u>	<u>(523,242)</u>		
Change in Net Position	939,427	873,956	(231,142)	(1,016,882)	708,285	(142,926)
Net position - October 1	8,593,238	7,719,282	10,351,931	11,368,813	18,945,169	19,088,095
Net position - September 30	<u>\$ 9,532,665</u>	<u>\$ 8,593,238</u>	<u>\$ 10,120,789</u>	<u>\$ 10,351,931</u>	<u>\$ 19,653,454</u>	<u>\$ 18,945,169</u>

City of Commerce, Texas
Comparative Balance Sheets
Governmental Funds
September 30, 2021 and 2020

	General	Debt Service	Capital Projects	Grants Projects	Other Governmental Funds	Total Governmental Funds	
						2021	2020
Assets							
Cash and cash equivalents	\$ 2,134,265	\$ 74,140	\$ 2,059,156	\$ 1,283,952	\$ 62,446	\$ 5,613,959	\$ 2,809,315
Cash and cash equivalents - restricted					162,008	162,008	155,678
Investments	14,729					14,729	14,674
Sales taxes receivable	238,270					238,270	213,510
Property taxes receivable, net	212,701	67,870				280,571	282,847
Franchise taxes receivable	35,975					35,975	29,435
Grants receivable				5,975	244	6,219	1,325
Fines receivable, net	43,479					43,479	36,583
Other receivables	66,965				559	67,524	24,939
Due from other funds	1,300					1,300	-
Prepays	8,811					8,811	
Inventory	16,701					16,701	15,949
Total Assets	\$ 2,773,196	\$ 142,010	\$ 2,059,156	\$ 1,289,927	\$ 225,257	\$ 6,489,546	\$ 3,584,255
Liabilities							
Accounts payable	122,289	4,885	-	-	4,544	131,718	72,641
Other accrued liabilities	10,765					10,765	15,653
Unearned grant revenues				1,199,284		1,199,284	72,150
Due to other funds						-	-
Total Liabilities	133,054	4,885	-	1,199,284	4,544	1,341,767	160,444
Deferred Inflows of Resources							
Unavailable property tax revenues	201,371	64,156	-	-		265,527	267,236
Unavailable court fine revenues	43,479					43,479	36,583
Total Deferred Inflows of Resources	244,850	64,156	-	-	-	309,006	303,819
Fund Balances							
Nonspendable:							
Inventory	25,512					25,512	15,949
Restricted for:							
Debt service		72,969				72,969	59,759
Court security & technology					57,949	57,949	58,648
Employee benefits					135,030	135,030	133,804
Hotel/motel					26,978	26,978	20,735
Police Department Seizures	13,539					13,539	19,310
Federal Seizures	4,601					4,601	4,601
Committed for:							
Animal Shelter			115,000			115,000	115,000
Capital improvements			1,944,156			1,944,156	566,505
Assigned for:							
Airport					756	756	6,934
Streets	121,231					121,231	144,231
Grants				90,643	-	90,643	97,692
Unassigned	2,230,409				-	2,230,409	1,876,824
Total Fund Balances	2,395,292	72,969	2,059,156	90,643	220,713	4,838,773	3,119,992
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,773,196	\$ 142,010	\$ 2,059,156	\$ 1,289,927	\$ 225,257	\$ 6,489,546	\$ 3,584,255

City of Commerce, Texas
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Years Ended September 30, 2021 and 2020

	General Fund	Debt Service	Capital Projects	Grants	Other Governmental Funds	Total Governmental Funds	
						2021	2020
Revenues:							
Ad valorem taxes	\$ 2,368,313	\$ 822,621	\$ -	\$ -	\$ -	\$ 3,190,934	\$ 2,951,550
Franchise taxes	499,580					499,580	487,413
Sales tax	1,294,019					1,294,019	1,141,674
Beverage tax	12,105					12,105	10,585
Hotel and motel tax					21,241	21,241	20,312
Payments in lieu of taxes	137,600					137,600	137,600
Fines	81,779				4,102	85,881	29,434
Administration fees from proprietary funds	646,600					646,600	646,600
Permits and inspection fees	90,234					90,234	74,382
Intergovernmental	31,689					31,689	29,763
Component unit administration fees	107,826					107,826	103,473
Other income	411,769				597,305	1,009,074	1,005,239
Donations	-				-	-	695
Charges for services	50,019				11,300	61,319	54,768
Rents and leases	7,300				6,155	13,455	10,640
Interest	40,734			898	715	42,347	51,793
Federal state and local grants	14,145			522,631	975	537,751	39,281
Capital grants					-	-	33,118
Total Revenues	5,793,712	822,621	-	523,529	641,793	7,781,655	6,828,320
Expenditures:							
Administration	1,651,261			471,786	611,792	2,734,839	2,117,778
Police department	1,641,781		35,053		0	1,676,834	1,518,587
Fire and emergency services	1,003,314					1,003,314	1,063,972
Public works	521,519					521,519	286,507
Parks and recreation	364,844				13,868	378,712	433,401
Community development	160,284					160,284	91,147
Judicial	56,571				4,801	61,372	65,900
Library	70,533					70,533	65,181
Airport					15,808	15,808	20,766
Capital outlay			187,296	58,792	0	246,088	53,329
Bond issuance costs			96,051		0	96,051	
Debt Service:							
Principal		550,000				550,000	345,000
Interest and fiscal charges		259,411				259,411	253,848
Total Expenditures	5,470,107	809,411	318,400	530,578	646,269	7,774,765	6,315,416
Excess (Deficiency) of Revenues Over Expenditures	323,605	13,210	(318,400)	(7,049)	(4,476)	6,890	512,904
Other Financing Sources (Uses):							
Proceeds from long-term debt			1,701,787	0	0	1,701,787	
Proceeds from sale of capital assets	15,840					15,840	6,500
Operating transfers in (out)	(6,060)	-	(5,736)	-	6,060	(5,736)	523,242
Net Other Financing Sources (Uses)	9,780	-	1,696,051	-	6,060	1,711,891	529,742
Net change in fund balance	333,385	13,210	1,377,651	(7,049)	1,584	1,718,781	1,042,646
Fund balance, October 1	2,061,907	59,759	681,505	97,692	219,129	3,119,992	2,077,346
Fund balance, September 30	\$ 2,395,292	\$ 72,969	\$ 2,059,156	\$ 90,643	\$ 220,713	\$ 4,838,773	\$ 3,119,992

City of Commerce, Texas
Comparative Statements of Fund Net Position
Proprietary Funds
September 30, 2021 and 2020

	Water, Sewer and Environmental Waste	Water District	Total Proprietary Funds	
			2021	2020
ASSETS				
Cash and cash equivalents	\$ 720,370	\$ 11,744	\$ 732,114	\$ 840,366
Investments	94,085		94,085	93,733
Accounts receivable, net	645,439		645,439	661,976
Due from other funds				-
Inventory	61,392		61,392	57,515
Prepaid expenses	9,946		9,946	
Total current assets	1,531,232	11,744	1,542,976	1,653,590
Cash and cash equivalents - restricted	1,633,777		1,633,777	642,359
Investments - restricted	75,704		75,704	150,785
Total other non-current assets	1,709,481	-	1,709,481	793,144
Capital Assets:				
Non-depreciable land	639,255		639,255	639,255
Non-depreciable construction in progress	165,174		165,174	1,301
Water & sewer infrastructure	31,020,758		31,020,758	31,020,758
Equipment	3,428,543		3,428,543	3,418,268
Less accumulated depreciation	(20,470,175)		(20,470,175)	(19,525,700)
Capital assets, net	14,783,555	-	14,783,555	15,553,882
Deferred outflows - related to pensions and OPEB	39,141		39,141	34,480
Total deferred outflows of resources	39,141	-	39,141	34,480
Total assets and deferred outflows of resources	\$ 18,063,409	\$ 11,744	\$ 18,075,153	\$ 18,035,096
LIABILITIES				
Accounts payable	124,277	7,979	132,256	126,433
Accrued salaries and benefits	67,015		67,015	58,498
Other accrued liabilities	6,472		6,472	7,258
Accrued interest payable	4,280		4,280	4,280
Due to other funds	1,300		1,300	
Bonds payable - current	457,000		457,000	435,000
Capital lease payable - current	326,945		326,945	340,885
Unearned revenue			-	-
Meter deposits payable	288,574		288,574	275,885
Total current liabilities	1,275,863	7,979	1,283,842	1,248,239
Bonds payable - long-term	6,353,314		6,353,314	5,761,000
Capital leases - long term	220,276		220,276	547,149
Net pension and OPEB liabilities	44,230		44,230	61,971
Total non-current liabilities	6,617,820	-	6,617,820	6,370,120
Total liabilities	7,893,683	7,979	7,901,662	7,618,359
Deferred inflows - related to pensions and OPEB	52,702		52,702	64,806
Total deferred inflows of resources	52,702	-	52,702	64,806
NET POSITION				
Net investment in capital assets	9,135,501		9,135,501	9,262,992
Unrestricted	981,523	3,765	985,288	1,088,939
Total Net Position	\$ 10,117,024	\$ 3,765	\$ 10,120,789	\$ 10,351,931

City of Commerce, Texas
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Years Ended September 30, 2021 and 2020

	Water and Sewer	Water District	Total Proprietary Funds 2021	2020
Operating Revenues:				
Charges for services	\$ 4,659,796	\$ -	\$ 4,659,796	\$ 4,420,134
Water sales	350,437	95,760	446,197	456,703
Penalties	82,881		82,881	21,817
Tap and reconnect fees	40,572		40,572	51,660
Other revenues	79,212		79,212	101,113
Total Operating Revenues	5,212,898	95,760	5,308,658	5,051,427
Operating Expenses:				
Salaries and benefits	884,188		884,188	1,040,924
Contracted services	1,080,024		1,080,024	944,592
Administration fees - general fund	646,600		646,600	646,600
Water purchases and related fees	454,177	95,760	549,937	552,463
Depreciation & amortization	978,541		978,541	976,727
Utilities and telephone	279,146		279,146	278,340
Repairs and facility maintenance	293,432		293,432	383,247
Chemicals	153,239		153,239	118,879
Payments in lieu of taxes	145,395		145,395	142,017
Bond issuance cost	59,474		59,474	
Other operating expenses	426,946	190	427,136	409,218
Total Operating Expenses	5,401,162	95,950	5,497,112	5,493,007
Operating Income	(188,264)	(190)	(188,454)	(441,580)
Nonoperating Revenues (Expenses):				
Interest income	7,814	87	7,901	13,109
Interest and fiscal charges	(56,325)		(56,325)	(65,169)
Gain (loss) on sale of assets			-	-
Nonoperating Revenues (Expenses)	(48,511)	87	(48,424)	(52,060)
Income (loss) before transfers	(236,775)	(103)	(236,878)	(493,640)
Capital contribution			-	-
Transfers in (out)	5,736		5,736	(523,242)
Change in net position	(231,039)	(103)	(231,142)	(1,016,882)
Net Position - October 1	10,348,063	3,868	10,351,931	11,368,813
Net Position, September 30	\$ 10,117,024	\$ 3,765	\$ 10,120,789	\$ 10,351,931

BASIC FINANCIAL STATEMENTS

City of Commerce, Texas
Statement of Net Position
September 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 5,664,040	\$ 732,114	\$ 6,396,154	\$ 2,867,514
Investments	14,729	94,085	108,814	
Property taxes receivable, net	212,701		212,701	
Sales taxes receivable	238,270		238,270	119,135
Franchise taxes receivable	35,975		35,975	
Grants receivable	6,219		6,219	
Fines receivable, net	43,479		43,479	
Accounts receivable, net		645,439	645,439	
Other receivables	67,524		67,524	289,175
Internal balances	1,300	(1,300)	-	
Inventory	16,701	61,392	78,093	
Prepaid expenses	8,811	9,946	18,757	
Restricted assets:				
Cash and cash equivalents	162,008	1,633,777	1,795,785	61,325
Property taxes receivable, net	67,870		67,870	
Investments		75,704	75,704	
Capital assets:				
Land	506,804	639,255	1,146,059	485,221
Construction in progress	47,997	165,174	213,171	
Capital assets, net	14,191,502	13,979,126	28,170,628	
Total Assets	21,285,930	18,034,712	39,320,642	3,822,370
Deferred Outflows of Resources				
Deferred outflows-related to pensions	216,477	26,755	243,232	
Deferred outflows-related to OPEB	100,210	12,386	112,596	
Total Deferred Outflows of Resources	316,687	39,141	355,828	-
LIABILITIES				
Accounts payable	131,922	132,256	264,178	50,820
Accrued salaries and benefits	310,625	67,015	377,640	34,269
Other accrued expenses	10,765	6,472	17,237	
Accrued interest - payable from restricted assets	32,551	4,280	36,831	
Meter deposits payable		288,574	288,574	
Unearned grant revenues	1,199,284		1,199,284	
Net pension liability	14,043	1,736	15,779	
Total OPEB liability	343,827	42,494	386,321	
Long-term liabilities:				
Due within one year:				
Bonds payable	400,000	457,000	857,000	
Capital leases	287,989	326,945	614,934	
Due in more than one year:				
Bonds payable	8,244,523	6,353,314	14,597,837	
Capital leases	668,013	220,276	888,289	
Total Liabilities	11,643,542	7,900,362	19,543,904	85,089
Deferred Inflows of Resources				
Deferred inflows-related to pensions	371,394	45,903	417,297	
Deferred inflows-related to OPEB	55,016	6,799	61,815	
Total Deferred Inflows of Resources	426,410	52,702	479,112	-
NET POSITION				
Net investment in capital assets	6,451,692	9,135,501	15,587,193	485,221
Restricted for debt service	104,574		104,574	
Restricted for hotel/motel tax use	26,978		26,978	
Restricted for employee benefits	135,030		135,030	
Restricted for court security & technology	57,949		57,949	
Restricted for police department & federal seizures	18,140		18,140	
Restricted for USDA revolving loan program				63,968
Restricted for governmental activities capital projects				
\$1,944,156 net of related debt \$1,305,914	638,242		638,242	
Restricted for business-type activities capital projects				
\$1,709,481 net of related debt \$1,709,481			-	
Unrestricted	2,100,060	985,288	3,085,348	3,188,092
Total Net Position	\$ 9,532,665	\$ 10,120,789	\$ 19,653,454	\$ 3,737,281

The accompanying notes are an integral part of this financial statement

City of Commerce, Texas
Statement of Activities
Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government
Governmental activities:							
Administration	\$ 2,323,515	\$ 817,900	\$ 502,734	\$ -	\$ (1,002,881)	\$ -	\$ (1,002,881)
Police department	1,671,085				(1,671,085)		(1,671,085)
Fire and emergency services	1,078,034	31,689	14,145		(1,046,345)		(1,046,345)
Public works	749,987	90,234			(645,608)		(645,608)
Parks and recreation	373,057	11,300			(361,757)		(361,757)
Community development	185,119				(185,119)		(185,119)
Judicial	59,946	92,777			32,831		32,831
Library	70,533				(70,533)		(70,533)
Airport	133,644		20,872	734,708	621,936		621,936
Economic development							
Bond issuance cost	96,051				(96,051)		(96,051)
Interest and fiscal charges	253,951				(253,951)		(253,951)
Total governmental activities	6,994,922	1,043,900	537,751	734,708	(4,678,563)	-	(216,965)
Business-type activities:							
Water, Sewer, Environmental	5,553,437	5,308,658				(244,779)	(244,779)
Waste services							
Total business-type activities	5,553,437	5,308,658	-	-	(244,779)	(244,779)	(244,779)
Total all activities	12,548,359	6,352,558	537,751	734,708	(4,678,563)	(244,779)	(216,965)
General revenues:							
Ad valorem taxes					3,189,225		3,189,225
Sales taxes					1,294,019		1,294,019
Beverage tax					12,105		12,105
Franchise taxes					499,580		499,580
Payments in lieu of taxes					137,600		137,600
Hotel taxes					21,241		21,241
Other income and contributions					427,609		427,609
Unrestricted investment earnings					42,347	7,901	50,248
Transfers					(5,736)	5,736	-
Total general revenues and transfers					5,617,990	13,637	5,631,627
Change in net position							
					939,427	(231,142)	708,285
Net position -beginning of year					8,593,238	10,351,931	18,945,169
Net position-end of year					\$ 9,532,665	\$ 10,120,789	\$ 19,653,454
							\$ 3,737,281

City of Commerce, Texas
Balance Sheet
Governmental Funds
September 30, 2021

	General	Debt Service	Capital Projects	Grants	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 2,134,265	\$ 74,140	\$ 2,059,156	\$ 1,283,952	\$ 62,446	\$ 5,613,959
Cash and cash equivalents-restricted					162,008	162,008
Investments	14,729					14,729
Sales taxes receivable	238,270					238,270
Property taxes receivable, net	212,701	67,870				280,571
Franchise taxes receivable	35,975					35,975
Grants receivable				5,975	244	6,219
Fines receivable, net	43,479					43,479
Other receivables	66,965				559	67,524
Due from other funds	1,300					1,300
Prepays	8,811					8,811
Inventory	16,701					16,701
Total Assets	\$ 2,773,196	\$ 142,010	\$ 2,059,156	\$ 1,289,927	\$ 225,257	\$ 6,489,546
Liabilities						
Accounts payable	122,289	4,885			4,544	131,718
Other accrued liabilities	10,765					10,765
Unearned grant revenues				1,199,284	-	1,199,284
Total Liabilities	133,054	4,885	-	1,199,284	4,544	1,341,767
Deferred Inflows of Resources						
Unavailable property tax revenues	201,371	64,156				265,527
Unavailable court fine revenues	43,479					43,479
Total Deferred Inflows of Resources	244,850	64,156	-	-	-	309,006
Fund Balances						
Nonspendable:						
Inventory and Prepays	25,512					25,512
Restricted for:						
Debt service		72,969				72,969
Court security & technology					57,949	57,949
Employee benefits					135,030	135,030
Hotel/motel					26,978	26,978
Police Department Seizures	13,539					13,539
Federal Seizures	4,601					4,601
Committed for:						
Animal shelter			115,000			115,000
Capital improvements			1,944,156			1,944,156
Assigned for:						
Airport					756	756
Streets	121,231					121,231
Grants				90,643		90,643
Unassigned	2,230,409					2,230,409
Total Fund Balances	2,395,292	72,969	2,059,156	90,643	220,713	4,838,773
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,773,196	\$ 142,010	\$ 2,059,156	\$ 1,289,927	\$ 225,257	\$ 6,489,546

Governmental fund balances as presented above:

\$ 4,838,773

Amounts presented for governmental activities in the statement of net position are different because:

Capital assets reported in the statement of net position do not represent current financial resources and are not reported in the fund balance sheet.

13,196,107

Other long-term assets (receivables) are not available to pay current-period expenditures and therefore are deferred in the funds. These include deferred inflows of property taxes of \$265,527 and court fines of \$43,479.

309,006

Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but do not become a liability in the fund statements until the date due.

(32,551)

An internal service fund is used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

644,071

Long-term liabilities for related pension liability (\$14,043), deferred outflows related to pensions \$216,477, and deferred inflows related to pensions (\$371,394) are not recorded in the funds.

(168,960)

Long-term liabilities for related total OPEB liability (\$343,827) and deferred outflows related to OPEB \$100,210, and deferred inflows related to pensions (\$55,016) are not recorded in the funds.

(298,633)

Long-term liabilities are reported in the statement of net position but are not due and payable in the current period and therefore are not reported as liabilities in the fund balance sheet. This amount consists of bonds payable (\$8,644,523) and long-term payroll liabilities (\$310,625).

(8,955,148)

Net Position - Governmental Activities

\$ 9,532,665

City of Commerce, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2021

	General Fund	Debt Service	Capital Projects	Grants	Other Governmental Funds	Total Governmental Funds
Revenues:						
Ad valorem taxes	\$ 2,368,313	\$ 822,621	\$ -	\$ -	\$ -	\$ 3,190,934
Franchise taxes	499,580					499,580
Sales tax	1,294,019					1,294,019
Beverage tax	12,105					12,105
Hotel and motel tax					21,241	21,241
Payments in lieu of taxes	137,600					137,600
Fines	81,779				4,102	85,881
Administration fees - proprietary funds	646,600					646,600
Permits and inspection fees	90,234					90,234
Intergovernmental	31,689					31,689
Component unit administration fees	107,826					107,826
Other income	411,769				597,305	1,009,074
Donations	0				-	-
Charges for services	50,019				11,300	61,319
Rents and leases	7,300				6,155	13,455
Interest	40,734			898	715	42,347
Federal, state and local grants	14,145			522,631	975	537,751
Capital grants					-	-
Total Revenues	5,793,712	822,621	-	523,529	641,793	7,781,655
Expenditures:						
Administration	1,651,261			471,786	611,792	2,734,839
Police department	1,641,781		35,053			1,676,834
Fire and emergency services	1,003,314					1,003,314
Public works	521,519					521,519
Parks and recreation	364,844				13,868	378,712
Community development	160,284					160,284
Judicial	56,571				4,801	61,372
Library	70,533					70,533
Airport					15,808	15,808
Bond issue costs			96,051			96,051
Capital outlay			187,296	58,792		246,088
Debt Service:						
Principal		550,000				550,000
Interest and fiscal charges		259,411				259,411
Total Expenditures	5,470,107	809,411	318,400	530,578	646,269	7,774,765
Excess (Deficiency) of Revenues Over (Under) Expenditures	323,605	13,210	(318,400)	(7,049)	(4,476)	6,890
Other Financing Sources (Uses):						
Proceeds from long-term debt			1,701,787			1,701,787
Proceeds from sale of capital assets	15,840					15,840
Operating transfers in (out)	(6,060)	-	(5,736)	-	6,060	(5,736)
Net Other Financing Sources (Uses)	9,780	-	1,696,051	-	6,060	1,711,891
Net change in fund balance	333,385	13,210	1,377,651	(7,049)	1,584	1,718,781
Fund balance, beginning	2,061,907	59,759	681,505	97,692	219,129	3,119,992
Fund balance, ending	\$ 2,395,292	\$ 72,969	\$ 2,059,156	\$ 90,643	\$ 220,713	\$ 4,838,773

The accompanying notes are an integral part of this financial statement

City of Commerce, Texas
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2021

Net change in fund balances - total governmental funds (from previous page) **\$ 1,718,781**

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

Governmental funds report capital outlays as expenditures, while in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of \$673,106 exceeded capital outlays of \$145,790. (527,316)

Donated capital assets do not require the use of current resources and are not recorded in the governmental funds. Donated capital assets of \$734,708 are included in governmental activities. 734,708

An internal service fund is used by management to charge the use of fleet management to individual funds. The change in net position of (\$20,829) is included in governmental activities. (20,829)

Proceeds from the issuance of long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt retired for the year \$550,000, less bonds issued (\$1,701,787). (1,151,787)

Changes in long-term liability for the compensated absences obligation does not require the use of current resources and therefore is not recorded in the funds. (103,966)

Changes in long term amounts for net pension liabilities \$195,988, the related deferred outflows of resources related to pensions \$22,011, and the related deferred inflows of resources related to pensions \$85,135 are not recorded in the funds. 303,134

Changes in long term amounts for total OPEB liabilities (\$52,447), and the related deferred outflows of resources related to OPEB \$15,704, and the related deferred inflows of resources related to OPEB \$12,798, are not recorded in the funds. (23,945)

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds. This includes the change in unavailable deferred ad valorem taxes of (\$1,709) and the change in unavailable deferred court fines of \$6,896. 5,187

Amortization of bond premiums is not recorded in the funds, but decreases interest expense over time in the statement of activities. This is the amount of amortization of premiums for the year. 7,145

Some expenses in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This represents the increase in accrued interest on debt of (\$1,685). (1,685)

Change in net position - governmental activities **\$ 939,427**

City of Commerce, Texas
Statement of Fund Net Position
Proprietary Funds
September 30, 2021

	Business-type Activities			Governmental Activities
	Water, Sewer and Environmental Waste	Water District	Total Proprietary Funds	Internal Service Fund
ASSETS				
Cash and cash equivalents	\$ 720,370	\$ 11,744	\$ 732,114	\$ 50,081
Investments	94,085		94,085	
Accounts receivable, net	645,439		645,439	
Grants receivable				
Inventory	61,392		61,392	
Prepaid expenses	9,946		9,946	
Total current assets	1,531,232	11,744	1,542,976	50,081
Cash and cash equivalents - restricted	1,633,777		1,633,777	
Investments - restricted	75,704		75,704	
Total other non-current assets	1,709,481	-	1,709,481	-
Capital Assets:				
Non-depreciable land	639,255		639,255	
Non-depreciable Construction in progress	165,174		165,174	
Water & sewer infrastructure	31,020,758		31,020,758	
Equipment	3,428,543		3,428,543	2,972,329
Less accumulated depreciation	(20,470,175)		(20,470,175)	(1,422,133)
Capital Assets, net	14,783,555	-	14,783,555	1,550,196
Deferred outflows of resources:				
Deferred outflows - related to pensions	26,755		26,755	
Deferred outflows - related to OPEB	12,386		12,386	
Total deferred outflows of resources	39,141	-	39,141	-
Total assets and deferred outflows of resources	\$ 18,063,409	\$ 11,744	\$ 18,075,153	\$ 1,600,277
LIABILITIES				
Accounts payable	124,277	7,979	132,256	204
Accrued salaries and benefits	67,015		67,015	
Other accrued liabilities	6,472		6,472	
Accrued interest payable	4,280		4,280	
Due to other funds	1,300		1,300	
Bonds payable - current	457,000		457,000	
Capital lease payable - current	326,945		326,945	287,989
Meter deposits payable	288,574		288,574	
Total current liabilities	1,275,863	7,979	1,283,842	288,193
Bonds payable - long-term	6,353,314		6,353,314	
Capital leases - long term	220,276		220,276	668,013
Net pension liability	1,736		1,736	
Total OPEB liability	42,494		42,494	
Total non-current liabilities	6,617,820	-	6,617,820	668,013
Total liabilities	7,893,683	7,979	7,901,662	956,206
Deferred inflows of resources:				
Deferred inflows - related to pensions	45,903		45,903	
Deferred inflows - related to OPEB	6,799		6,799	
Total deferred inflows of resources	52,702	-	52,702	-
NET POSITION				
Net investment in capital assets	9,135,501		9,135,501	594,194
Restricted for capital projects, \$1,709,481 net of related debt \$1,709,481			-	
Unrestricted	981,523	3,765	985,288	49,877
Total Net Position	\$ 10,117,024	\$ 3,765	\$ 10,120,789	\$ 644,071

The accompanying notes are an integral part of this financial statement

City of Commerce, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2021

	Business-type Activities			Governmental Activities
	Water, Sewer and Environmental Waste	Water District	Total Proprietary Funds	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 4,659,796	\$ -	\$ 4,659,796	\$ 249,563
Water sales	350,437	95,760	446,197	
Penalties	82,881		82,881	
Tap and reconnect fees	40,572		40,572	
Other revenues	79,212		79,212	
Total Operating Revenues	5,212,898	95,760	5,308,658	249,563
Operating Expenses:				
Salaries and benefits	884,188		884,188	
Contracted services	1,080,024		1,080,024	
Administration fees - general fund	646,600		646,600	
Water purchases and related fees	454,177	95,760	549,937	
Depreciation & amortization	978,541		978,541	246,654
Utilities	279,146		279,146	
Repairs and facility maintenance	293,432		293,432	5,335
Chemicals	153,239		153,239	
Payments in lieu of taxes	145,395		145,395	
Bond issuance cost	59,474		59,474	
Other operating expenses	426,946	190	427,136	
Total Operating Expenses	5,401,162	95,950	5,497,112	251,989
Operating Income	(188,264)	(190)	(188,454)	(2,426)
Nonoperating Revenues (Expenses):				
Interest income	7,814	87	7,901	
Interest and fiscal charges	(56,325)		(56,325)	(39,733)
Gain (loss) on sale of assets				21,330
Nonoperating Revenues (Expenses)	(48,511)	87	(48,424)	(18,403)
Income (loss) before transfers	(236,775)	(103)	(236,878)	(20,829)
Capital grants				
Transfers in (out)	5,736		5,736	
Change in net position	(231,039)	(103)	(231,142)	(20,829)
Net Position, October 1	10,348,063	3,868	10,351,931	664,900
Net Position, September 30	\$ 10,117,024	\$ 3,765	\$ 10,120,789	\$ 644,071

The accompanying notes are an integral part of this financial statement.

City of Commerce, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2021

	Water, Sewer and Environmental Waste	Water District	Total Proprietary Funds	Governmental Activities Internal Service Fund
Cash flows from operating activities:				
Cash received from customers and users	\$ 5,236,692	\$ 95,760	\$ 5,332,452	\$ -
Cash received from internal charges to other funds			-	249,563
Cash paid to employees	(910,963)		(910,963)	
Cash paid for internal charges to General Fund	(646,600)		(646,600)	
Cash paid to vendors	(2,907,091)	(95,950)	(3,003,041)	(5,131)
Net cash provided (used) by operating activities	772,038	(190)	771,848	244,432
Cash flows from noncapital financing activities:				
Change in customer deposits	12,689		12,689	
Transfers in from other funds	5,736		5,736	
Increase (decrease) in due to/from other funds	1,300		1,300	
Net cash provided (used) by noncapital financing activities	19,725	-	19,725	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(208,213)		(208,213)	(44,363)
Proceeds from sale of capital assets			-	21,330
Cash received from capital grants				15,000
Proceeds from issuance of bonds	1,053,738		1,053,738	
Principal payments - bonds payable	(435,000)		(435,000)	
Principal payments - capital leases	(340,813)		(340,813)	(266,233)
Interest paid on bonds and capital lease obligations	(60,749)		(60,749)	(39,733)
Net cash provided (used) by capital and related financing activities	8,963	-	8,963	(313,999)
Cash flows from investing activities:				
Net redemptions (purchases) of investments	74,729		74,729	
Investment earnings	7,814	87	7,901	
Net cash provided (used) by investing activities	82,543	87	82,630	-
Net change in cash and cash equivalents	883,269	(103)	883,166	(69,567)
Cash and cash equivalents - beginning of year	1,470,878	11,847	1,482,725	119,648
Cash and cash equivalents - end of year	\$ 2,354,147	\$ 11,744	\$ 2,365,891	\$ 50,081
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (188,264)	\$ (190)	\$ (188,454)	\$ (2,426)
Adjustments to reconcile operating results to net cash provided (used) by operating activities:				
Depreciation	978,541		978,541	246,654
(Increase) decrease in accounts receivable	23,794		23,794	
(Increase) decrease in prepaid expenses	(9,946)		(9,946)	
(Increase) decrease in inventory	(3,877)		(3,877)	
(Increase) decrease in deferred outflows - related to pensions	(2,720)		(2,720)	
(Increase) decrease in deferred outflows - related to OPEB	(1,941)		(1,941)	
Increase (decrease) in accounts payable	(1,435)		(1,435)	204
Increase (decrease) in accrued salaries and benefits	7,731		7,731	
Increase (decrease) in net pension liability	(24,223)		(24,223)	
Increase (decrease) in total OPEB liability	6,482		6,482	
Increase (decrease) in deferred inflows - related to pensions	(10,522)		(10,522)	
Increase (decrease) in deferred inflows - related to OPEB	(1,582)		(1,582)	
Total adjustments	960,302	-	960,302	246,858
Net cash provided (used) by operating activities	\$ 772,038	\$ (190)	\$ 771,848	\$ 244,432
Noncash investing, capital, and financing activities				
Capital assets acquired through capital leases	\$ -	\$ -	\$ -	\$ 144,966

The accompanying notes are an integral part of this financial statement

City of Commerce, Texas
Notes to Financial Statements
September 30, 2021

1. Introduction and Summary of Significant Accounting Policies

The financial statements of the City of Commerce, Texas and its component units, Commerce Economic Development Corporation and Commerce Water District, collectively identified as the "City" have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ending September 30, 2021.

(A) Reporting Entity and Related Organizations

The City was incorporated in 1885. The City is a municipal corporation governed by an elected mayor and a four member City Council. The City provides general administration, public works, police and judicial, fire and emergency services, water and sewer services, and waste management services to its residents. The Council hires a City Manager for day to day operations.

The City Council has the authority to make decisions, appoint administrators and managers, significantly influence operations; and has the primary accountability for fiscal matters. The City is not included in any other governmental "reporting entity" as defined by Governmental Accounting and Financial Reporting Standards.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statements No. 14 and 39 as amended by GASB Statement 61, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. In addition, component units may be included in the reporting entity based on the nature and significance of the relationship with the primary government, or based on being closely related or financially integrated with the primary government. Based on these criteria, the City has the following component units at September 30, 2021:

Discretely Presented Component Unit:

Commerce Economic Development Corporation (CEDC) - CEDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the CEDC board for cause. CEDC is a nonprofit corporation governed by Section 4A of the Texas Development Corporation Act of 1979 and organized for the public purpose of aiding, promoting and furthering economic development within the City of Commerce, Texas.

1. Introduction and Summary of Significant Accounting Policies - continued

Blended Component Unit:

Commerce Water District (CWD) – CWD owns water distribution facilities in order to provide treated water to the City of Commerce, Texas. The CWD is governed by a board appointed by the City Council.

Neither CEDC nor CWD prepare separate financial statements.

(B) Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and proprietary funds are reported in separate columns with composite columns for non-major funds.

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions unless they conflict with GASB pronouncements.

1. Introduction and Summary of Significant Accounting Policies - continued

The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting* generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements and financial statements of City component units are also prepared using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and capital lease principal and interest payments and compensated absences which are reported as expenditures when they are due.

Major revenues sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, grant revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary funds are charges to customers for water and sewer sales or services and solid waste disposal fees. Principal operating expenses are the costs of providing these goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

(D) Fund Types and Major Funds

Governmental Funds - The City reports the following major governmental funds:

General Fund - reports as the primary operating fund of the City. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund - accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds, capital leases, and interest. This fund reports all such ad valorem taxes collected.

Capital Projects Fund - accounts for the proceeds of a bond issue that will be utilized for capital improvement.

Grants Fund - accounts for the receipt and expenditure of grant funds.

1. Introduction and Summary of Significant Accounting Policies – continued

Additionally, the City maintains the following non-major governmental funds:

Airport Fund - accounts for the activities of the City's airport.

Recreational Programs Fund - accounts for the operating activities of certain City recreational programs.

Hotel/Motel Tax Fund - accounts for the collections and related expenditures of the City Hotel/Motel tax.

Employee Benefits Trust Fund - accounts for contributions and related expenditures made for City employee benefits.

Municipal Court Security Fund – accounts the portion of fines revenue designated for funding security services for the municipal court building.

Municipal Court Technology Fund – accounts the portion of fines revenue designated for the purchase or maintenance of technological enhancements for the municipal court.

Proprietary Funds - The City reports the following major proprietary funds:

Water, Sewer, and Environmental Waste Services Fund - accounts for the operating activities of the City's water, sewer, and environmental waste utility services.

Additionally, the City reports the following non-major proprietary funds:

Commerce Water District Fund – accounts for the purchase and sale of water to the Sabine Water Authority. Activities of the fund include water purchases, water sales, and administration fees.

Internal Service Fund – accounts for the financing of goods and services provided by the fund to other funds and departments on a cost reimbursement basis.

(E) Assets, Liabilities and Net Assets or Equity

Cash and Investments

The City maintains cash and investment pools which are shared by the various governmental and proprietary funds. In addition, non-pooled cash and investments are separately held and reflected in the respective individual funds. These pooled and non-pooled cash and investment pools are displayed on its respective balance sheet as "cash and cash equivalents" and "investments."

Investments are reported at fair value determined as follows. Short-term, highly liquid investments are reported at cost, which approximates fair value. Cash deposits are reported at the carrying amount which reasonably estimates fair value. Bank certificates of deposit are carried at cost which approximates fair value.

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

1. Introduction and Summary of Significant Accounting Policies – continued

Inventories and Prepaid Items

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements.

Prepaid items record payments to vendors that benefit future reporting periods and are reported on the consumption basis at cost. Prepaid items are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or if donated, at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty on the acquisition date. These assets are comprehensively reported in the government-wide financial statements. The City generally capitalizes assets with a cost of \$2,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	20 - 40
Road infrastructure	20 - 25
Water & sewer infrastructure & rights	20 - 40
Vehicles	7
Furniture, machinery, and equipment	5 - 10

Pensions

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

Compensated Absences

Full-time employees earn vacation leave for each month of work performed. Progressive accrual of vacation leave is based on the number of years the individual is employed by the City. After completion of a probationary period of employment, accrued vacation leave and comp time is paid upon termination of employment. Full-time employees also earn sick leave time. Unused sick

1. Introduction and Summary of Significant Accounting Policies – continued

leave is not paid upon termination of employment. Compensated absences are reported as accrued in the government-wide, proprietary and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. These are included in wages and benefits payable.

Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Bond issuance costs are charged to expense or expenditure when incurred. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Deferred Inflows and Outflows of Resources

Deferred inflows of resources represent the acquisition of resources that apply to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of resources that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time.

Fund Equity

The City implemented GASB Statement 54 standards for the classification of fund balances in the governmental funds. The fund balances of governmental funds are defined as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form, such as inventory or prepaid items or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through a formal resolution of the City Council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes that have been established by the City Council. The City Council delegates the responsibility to assign funds to the City Manager, Director of Finance, or other designee as determined by the Council.

Unassigned - all other spendable amounts in the general fund.

When expenditures are incurred for which both restricted and unrestricted fund balance is available the City considers restricted funds to have been spent first. Similarly, committed funds are considered to have been spent first when there is a choice for the use of less restricted funds, then assigned and then unassigned funds.

1. Introduction and Summary of Significant Accounting Policies – continued

(F) 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; injuries to employees; and natural disasters. The City is a participant in the Texas Municipal League (TML) Employees Health Insurance Fund, Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The agreement provides that the trust established by TML will be self-sustaining through member premiums. The City pays annual premiums to TML for worker's compensation, general and auto liability, property damage, employee dishonesty, public officials liability, and law enforcement professional liability coverage. The City does not anticipate any material additional insurance cost assessments as a result of participation in this risk management pool. There were no reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage during any of the past three fiscal years.

(G) Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

The City Manager submits an annual budget to the City Council in accordance with the laws of the State of Texas and the city charter. The budget is presented to the City Council for review, budget workshops are held with the various City department officials, and public hearings are held to address priorities and the allocation of resources. Generally in August, the City Council adopts the annual fiscal year budgets for all City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund has an approved budget that is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the individual fund level. Within this control level, management may transfer appropriations between line items. Budget revisions and line item transfers are subject to final review by the City Council.

The budgets for the operating funds are prepared on a basis consistent with GAAP. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is to be incurred. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual required supplementary information is presented using this accounting basis. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

3. Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be fully secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health. Collateral agreements must be approved prior to deposit of funds. The City Council approves authorized depository institutions based on the recommendations of City management.

Deposits of City of Commerce, Texas (primary government) and its component units, CEDC and CWD, are fully insured or collateralized with securities held by the City or component unit, its agent, or by the pledging financial institution's trust department or agent in the name of the City or component unit, respectively at year-end.

Investments

Investments, when applicable, are stated at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At year-end, the City had no investments subject to the fair value hierarchy established by generally accepted accounting principles. For investments in local government pools, the reported value of the pool is the same as the fair value of the pool shares.

Below are the City's investments stated fair value at fiscal year-end:

	Fair Value	Rating	Weighted Average Maturity (Days)
TexSTAR	\$ 75,704	AAAm	43
Certificates of deposit	108,814	N/A	266
Total investments	<u>\$ 184,518</u>		

Ratings are provided where applicable to indicate associated **credit risk**.

During the year ended September 30, 2021 the City invested in certificates of deposit and TexSTAR.

TexSTAR, a public funds investment pool created and managed by First Southwest Asset Management, Inc. is empowered to invest funds and act as custodian of investments purchased by local governments. Authorized investments of TexSTAR include obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposit and repurchase agreements. The carrying amount of the City's investment in TexSTAR is at fair value. At year-end, the carrying amount and fair value of the City's investment in TexSTAR was \$75,704.

3. Deposits and Investments – continued

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City

Finance Director. Investing is performed in accordance with investment policies adopted by the City Council in compliance with the Public Funds Investment Act. City investment policy and state statute generally permit the City to invest in FDIC insured or fully collateralized certificates of deposit, public funds investment pools, United States treasuries and securities with the United States government's guarantee; obligations of United States government agencies and instrumentalities; and money market funds. During the year ended September 30, 2021, the City did not own any types of securities other than those permitted by the Public Funds Investment Act or by its investment policy. The City substantially complied with the provisions of the Public Funds Investment Act during the year.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. City policy generally requires investment maturities to correspond to anticipated cash flow needs. City policy also states that unless matched to a specific cash flow requirement, the City may not invest any portion of the City portfolio for a period greater than two years.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. City policy requires that the risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types to eliminate the risk of loss from over-concentration of assets in a specific issuer, or a specific class of securities. City investment policy states that with the exception of U. S. Treasury securities, no more than 50% of the City's investment portfolio will be invested in a single security type or with a single financial institution.

For investments, **custodial credit risk** 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 in the possession of an outside party. The City's policy on safekeeping and custody requires that investments shall be held through third-party safekeeping agreements. All investment funds shall be placed directly with qualified financial institutions selected through the City's banking procurement process. All transactions shall be executed on a delivery versus payment basis.

4. Receivables, Uncollectible Accounts, and Deferred Revenue

Proprietary Fund Receivables, Uncollectible Accounts and Deferred Revenue

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The Proprietary Fund reports accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectible amounts. Following is the detail of the Proprietary Fund receivables and the related allowance for uncollectible accounts:

Accounts receivable, gross	\$ 673,431
Less: allowance for uncollectible accounts	(27,992)
Net accounts receivable	<u>\$ 645,439</u>

4. **Receivables, Uncollectible Accounts, and Deferred Revenue - continued**

Property Taxes Receivable, Deferred Inflows of Resources, and Property Tax Calendar

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real property located within the City. Appraised values are established by the Hunt County Tax Appraisal District at 100% of market value.

The property tax rate for the year ended September 30, 2021 was 0.820000 per \$100 of the assessed valuation on taxable property. Following is a summary of the overall tax rate as levied by fund type:

Maintenance and operations - General Fund	0.607516
Debt Service Fund	0.212484
Total tax rate	<u>0.820000</u>

In the governmental fund financial statements, property taxes are recorded as receivables in each of the respective funds on the tax levy date with appropriate allowances for estimated uncollectible amounts. At fiscal year-end, property tax receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred inflows of resources.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is expected to be received. Management has recorded a 10% allowance for uncollectible delinquent property taxes of \$31,174 at year-end.

The City's full year property tax calendar is as follows:

- October 1: Full year tax levy assessed for the current fiscal year-taxes are due and payable.
- January 1: Tax lien is attached to property to secure the payment of taxes, and penalty and interest as applicable.
- February 1: Penalty and interest charges begin to accrue on unpaid past due taxes.
- July 1: Taxes become delinquent and are subject to attorney fees incurred for collection.

Allowance for Uncollectible Taxes

No provisions are made for uncollectible sales tax receivables or grants receivable as management estimates that these amounts will be fully collectible.

4. Receivables, Uncollectible Accounts, and Deferred Revenue – continued

Fines and Court Costs Receivable and Related Allowances

In the governmental fund financial statements, fines and court costs are recognized as revenue on the modified accrual basis. Estimated amounts collected within 60 days of year end are accrued in the General Fund.

In the government-wide financial statements, the City records fines and court costs receivable net of amounts estimated to be uncollectible and net of any amounts that would be due to other governmental entities as a result of collection. Management has determined the estimate of uncollectible fines and court costs through an analysis of actual amounts collected subsequent to year end. Amounts due to other governmental entities have been determined based on distribution requirements of the State of Texas.

Following is a summary of fines receivable and the related allowances at year end:

Gross amount of outstanding fines	\$ 483,101
Less allowance for uncollectible amounts	<u>(198,071)</u>
Net estimated fine collections	285,030
Less estimated collections due to the State	<u>(241,551)</u>
City fines receivable, net of allowances	<u>\$ 43,479</u>

5. Capital Assets

Following is a summary of changes in capital assets for the year:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 506,804	\$ -	\$ -	\$ 506,804
Construction in progress	35,309	47,997	(35,309)	47,997
Non-depreciable capital assets	<u>542,113</u>	<u>47,997</u>	<u>(35,309)</u>	<u>554,801</u>
Depreciable capital assets:				
Buildings & improvements	7,545,406	38,932	(3,000)	7,581,338
Infrastructure	10,228,545	749,373	-	10,977,918
Machinery & equipment	<u>4,753,585</u>	<u>279,840</u>	<u>(494,253)</u>	<u>4,539,172</u>
Depreciable capital assets	<u>22,527,536</u>	<u>1,068,145</u>	<u>(497,253)</u>	<u>23,098,428</u>
Less: accumulated depreciation	<u>(8,484,419)</u>	<u>(919,760)</u>	<u>497,253</u>	<u>(8,906,926)</u>
Governmental Activities				
Capital Assets, net	<u>\$ 14,585,230</u>	<u>\$ 196,382</u>	<u>(35,309)</u>	<u>\$ 14,746,303</u>
Business-Type Activities:				
Non-depreciable capital assets:				
Land	\$ 639,255	\$ -	\$ -	\$ 639,255
Construction in progress	<u>1,301</u>	<u>163,873</u>	<u>-</u>	<u>165,174</u>
Non-depreciable capital assets	640,556	163,873	-	804,429
Depreciable capital assets:				
Machinery & equipment	3,418,268	44,341	(34,065)	3,428,544
Water & sewer system	<u>31,020,757</u>	<u>-</u>	<u>-</u>	<u>31,020,757</u>
Depreciable capital assets	<u>34,439,025</u>	<u>44,341</u>	<u>(34,065)</u>	<u>34,449,301</u>
Less: accumulated depreciation	<u>(19,525,700)</u>	<u>(978,540)</u>	<u>34,065</u>	<u>(20,470,175)</u>
Business-type Activities				
Capital Assets, net	<u>\$ 15,553,881</u>	<u>\$ (770,326)</u>	<u>\$ -</u>	<u>\$ 14,783,555</u>
Component Unit:				
Non-depreciable capital assets:				
Land	\$ 485,221	\$ -	\$ -	\$ 485,221
Depreciable capital assets:				
Buildings & improvements	2,675	-	(2,675)	-
Equipment	4,061	-	(4,061)	-
Less: accumulated depreciation	<u>(6,736)</u>	<u>-</u>	<u>6,736</u>	<u>-</u>
Depreciable capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component Unit				
Capital Assets, Net	<u>\$ 485,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 485,221</u>

5. Capital Assets – continued

Depreciation expense for governmental activities was charged to functions of the City as follows:

Administration	\$	136,575
Community development		3,414
Fire & emergency services		98,772
Airport		117,836
Parks and recreation		18,640
Police		59,397
Public works		238,472
Internal service fund		246,654
Total	\$	<u>919,760</u>

Depreciation expense recorded in business-type activities and the Water and Sewer Fund was \$978,541.

The gross amount of assets included in the equipment category above which are recorded under capital lease obligations is \$3,776,697. Accumulated amortization of these assets is \$2,297,770. Amortization expense of \$359,000 is included in depreciation expense.

6. Long-Term Obligations

Long-term Obligations Supporting Governmental Activities

Certificates of obligation bonds issued by the City are backed by the full faith and credit of the City. These bonds are to be repaid with property taxes levied for debt service and recorded in the Debt Service Fund. The City's borrowing capacity is restrained by maintaining the City's debt at a responsible level. Other debt issued to support governmental activities are capital lease obligations which are primarily paid from the General Fund.

Interest expense for governmental activities was \$253,951, net of \$7,245 of premium amortization. This is reported as a separate line item in the statement of activities. No interest was capitalized in governmental activities.

Business-type Activities - Revenue Bonds

Revenue bonds consist of debt issued to support activities of the Water and Sewer Proprietary Fund. In addition to being backed by the full faith and credit of the City, revenue bonds are secured by a lien on and a pledge of the surplus revenues of the water and sewer system. Other debt issued to support business-type activities are capital lease obligations which are secured by the equipment purchased with the capital lease proceeds.

Interest expense for business-type activities and the Water and Sewer Proprietary Fund was \$56,325, net of \$4,424 of premium amortization. No interest was capitalized in business-type activities or the Proprietary Fund.

The following page contains a summary of changes in bonds payable and capital lease obligations for the year:

6. Long-Term Obligations - continued

<i>Governmental Activities</i>	<u>Beginning</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending</u>	<u>Due Within One Year</u>
<i>Direct Borrowings</i>					
Combination Tax & Revenue Certificates of Obligation Series 2006, 4.06%, 2006-2026	\$ 154,955	\$ -	\$ (40,000)	\$ 114,955	\$ 40,000
Combination Tax & Revenue Certificates of Obligation Series 2008, 3.79%, 2008-2023	169,926		(55,000)	114,926	55,000
General Obligation Refunding and Improvement Bonds Maturities 2013-2037 Series 2012, 2.0%-3.75%	7,175,000		(260,000)	6,915,000	270,000
Combination Tax & Revenue Certificates of Obligation Maturities 2021-2040 Series 2021, 1.25%-2.75%	-	1,615,000	(195,000)	1,420,000	35,000
Bond premium		86,787	(7,145)	79,642	
Capital lease obligations	<u>1,077,669</u>	<u>144,966</u>	<u>(266,633)</u>	<u>956,002</u>	<u>287,989</u>
Total Governmental Activities	<u>\$ 8,577,550</u>	<u>\$ 1,846,753</u>	<u>\$ (823,778)</u>	<u>\$ 9,600,525</u>	<u>\$ 687,989</u>
<i>Business-type Activities</i>					
<i>Direct Borrowings</i>					
Combination Tax & Revenue Certificates of Obligation Series 2007, 0%, 2007-2027	\$ 700,000	\$ -	\$ (100,000)	\$ 600,000	\$ 100,000
Combination Tax & Revenue Certificate of Obligation Series 2010-A, 0%, 2010-2040	1,626,000		(81,000)	1,545,000	81,000
Combination Tax & Revenue Certificate of Obligation Series 2010-B, 0%, 2010-2040	338,000		(16,000)	322,000	16,000
Combination Tax & Revenue Certificate of Obligation Series 2010-C, 0%, 2010-2040	2,340,000		(115,000)	2,225,000	115,000
General Obligation Refunding and Improvement Bonds Series 2017, 2.6%, 2017-2029	1,192,000		(123,000)	1,069,000	125,000
Combination Tax & Revenue Certificates of Obligation Maturities 2021-2040 Series 2021, 1.25%-2.75%	-	1,000,000	-	1,000,000	20,000
Bond premium		53,738	(4,424)	49,314	
Capital lease obligations	<u>888,034</u>	<u></u>	<u>(340,813)</u>	<u>\$ 547,221</u>	<u>326,945</u>
Total Business-type Activities	<u>\$ 7,084,034</u>	<u>\$ 1,053,738</u>	<u>\$ (780,237)</u>	<u>\$ 7,357,535</u>	<u>\$ 783,945</u>
Total Primary Government	<u>\$ 15,661,584</u>	<u>\$ 2,900,491</u>	<u>\$ (1,604,015)</u>	<u>\$ 16,958,060</u>	<u>\$ 1,471,934</u>

6. Long-Term Obligations - continued

The City's general obligation bonds are guaranteed by the full faith and credit of the City. The bond issues are approved by the voters and repaid with property taxes recorded in the Debt Service Fund. Current requirements for principal and interest of these obligations are accounted for in the Debt Service Fund.

Certificates of obligation bonds represent general obligations of the City and are backed by the full faith and credit of the City and require the City to annual assess ad valorem taxes sufficient to provide for payment of the certificates as they mature. The certificates are additionally secured by and payable from a pledge of surplus revenues of the City's water and wastewater system that remain (1) after payment of all operation and maintenance expenses thereof and (2) after payment of all debt service, reserve and other requirements in connection with all of the City's revenue obligations.

Terms of the certificates of obligation bonds require the City to establish sinking funds in order to accumulate resources for the repayment of principal and interest on the bonds as they mature. At year-end the City was in compliance with these sinking fund requirements. Amounts set aside to meet interest and sinking fund requirements are reflected as restricted cash or restricted investments at year-end.

Capital lease agreements represent general obligations of the City, and are secured by the equipment acquired by the capital lease proceeds. Current requirements for principal and interest of capital lease obligations are accounted for in the appropriate fund for which the liability was incurred.

Compensated absences are paid from the fund responsible for the employee's compensation with significant liabilities payable from the General Fund.

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt and capital lease obligations for governmental activities are as follows at year-end:

Fiscal Year Ending September 30,	<i>Governmental Activities</i>					
	Bonds Payable		Capital Lease Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 400,000	\$ 260,410	\$ 287,989	\$ 33,127	\$ 687,989	\$ 293,537
2023	414,926	247,045	300,164	18,595	715,090	265,640
2024	429,955	233,354	163,839	10,484	593,794	243,838
2025	445,000	218,885	179,794	3,572	624,794	222,457
2026	460,000	204,691	19,509	633	479,509	205,324
2027-2031	2,520,000	799,275	4,707	59	2,524,707	799,334
2032-2036	2,935,000	380,541			2,935,000	380,541
2037-2040	960,000	22,992			960,000	22,992
Totals	<u>\$ 8,564,881</u>	<u>\$ 2,367,193</u>	<u>\$ 956,002</u>	<u>\$ 66,470</u>	<u>\$ 9,520,883</u>	<u>\$ 2,433,663</u>

6. Long-Term Obligations – continued

The annual debt service requirements to maturity for bonded debt and capital lease obligations for business-type activities are as follows at year-end:

Fiscal Year Ending September	<i>Business-type Activities</i>					
	Bonds Payable		Capital Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 457,000	\$ 29,393	\$ 326,945	\$ 11,997	\$ 783,945	\$ 41,390
2023	461,000	26,169	220,276	2,486	681,276	28,655
2024	463,000	22,880			463,000	22,880
2025	470,000	19,526			470,000	19,526
2026	476,000	16,055			476,000	16,055
2027-2031	1,841,000	26,871			1,841,000	26,871
2032-2036	1,427,000	-			1,427,000	-
2037-2040	1,166,000	-			1,166,000	-
Totals	\$ 6,761,000	\$ 140,894	\$ 547,221	\$ 14,483	\$ 7,308,221	\$ 155,377

In addition to the bonds and capital leases above, the City also has the following long-term obligations:

	Balance Beginning	Increase	Decrease	Balance Ending	Due Within One Year
<i>Governmental Activities:</i>					
Compensated absences	\$ 206,659	\$ 103,966	\$ -	\$ 310,625	\$ 310,625

It is anticipated that the liability for compensated absences described above will be paid from the General Fund when due.

Component Unit (CEDC):

CEDC did not have any long-term obligations during the year.

7. Defined Benefit Pension Plans

Plan Description

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

7. Defined Benefit Pension Plans – continued

Benefits Provided

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

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

Employee deposit rate	5.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100%, Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Reporting

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	68
Inactive employees entitled to but not yet receiving benefits	104
Active employees	<u>68</u>
	<u>240</u>

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 of the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Commerce, Texas were 8.50% and 7.90% in calendar years 2019 and 2021, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021, were \$310,171, and were equal to the required contributions.

7. Defined Benefit Pension Plans – continued

Net Pension Liability

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

Actuarial Assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.25% per year, adjusted down for population declines, if any
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 healthy post-retirement mortality assumption and the mortality assumption for Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. All other actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation 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 2021 are summarized in the following table:

7. Defined Benefit Pension Plans – continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equities	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2019	\$ 12,234,225	\$ 11,998,235	\$ 235,990
Changes for the year:			
Service cost	335,690		335,690
Interest	819,336		819,336
Change of benefit terms			
Difference between expected and actual experience	(39,678)		(39,678)
Changes of assumptions			-
Contributions - employer		285,440	(285,440)
Contributions - employee		146,079	(146,079)
Net investment income		910,163	(910,163)
Benefit payments, including refunds of employee contributions	(527,519)	(527,519)	
Administrative expense		(5,893)	5,893
Other changes		(230)	230
Net changes	\$ 587,829	\$ 808,040	\$ (220,211)
Balance at 12/31/2020	\$ 12,822,054	\$ 12,806,275	\$ 15,779

7. Defined Benefit Pension Plans – continued

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

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

	1 % Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 1,933,861	\$ 15,779	\$ (1,531,111)

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.

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

For the year ended September 30, 2021, the City recognized pension expense of \$(30,428). At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 71,888
Changes in actuarial assumptions	-	5,978
Difference between projected and actual investment earnings	-	339,431
Contributions subsequent to the measurement date	243,232	-
Total	<u>\$ 243,232</u>	<u>\$ 417,297</u>

\$243,232 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2022	\$ (195,630)
2023	1,441
2024	(203,050)
2025	(20,058)
2026	-
Thereafter	-
Total	<u>\$ (417,297)</u>

8. Postemployment Benefits Other Than Pensions (OPEB)

Plan description - The City maintains a single-employer defined benefit group-term life insurance plan known as the TMRS Supplemental Death Benefits Fund ("SDBF"). The plan is administered by the Texas Municipal Retirement System ("TMRS"). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*).

Benefits provided - The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12 month period preceding the month of death). The death benefit for retirees is considered an Other Post-Employment Benefit ("OPEB") and is a fixed amount of \$7,500.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees entitled to but not yet receiving benefits	20
Active employees	<u>68</u>
Total	<u>136</u>

Contributions

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

The City's SDBF contribution rates for all covered employees of the City in calendar years 2021 and 2019 were .39% and .23% respectively. The City's contributions for all covered employees to the TMRS SDBF for the fiscal years ended September 30, 2021, and September 30, 2020, were \$11,447 and \$6,735, respectively, which equaled the required contributions for each year. The retiree portion of this contribution rate (OPEB portion) was 0.31% and 0.11% of covered payroll in calendar years 2021 and 2020 respectively.

8. Postemployment Benefits Other Than Pensions (OPEB) – continued

Total OPEB Liability

The City's total OPEB liability (TOL) of \$386,321 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs:

The total OPEB liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.5% per year
Salary Increase	3.5% to 11.5% per year, including inflation
Discount Rate	2.00%
Retirees Share of Benefit Costs	\$ -0-

Salary increases are assumed to occur once a year and are assumed to increase by a graduated service-based scale ranging from 11.5% for employees with one year of service to 3.5% for employees with 25 or more years of service.

Mortality rates for service retirees were based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

For disabled retirees, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The applicable discount rate for an unfunded OPEB plan under GASB No. 75 is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

8. Postemployment Benefits Other Than Pensions (OPEB) – continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/19	\$ 327,392
Changes for the year:	
Service cost	8,765
Interest on total OPEB liability	9,080
Change in benefit terms	-
Differences between expected & actual experience	(5,936)
Changes in assumptions and other inputs	50,234
Benefit payments*	(3,214)
Other charges	-
Net changes	\$ 58,929
Balance at 12/31/20	<u>\$ 386,321</u>

*Due to the Supplemental Death Benefit Fund being considered an unfunded OPEB plan under GASB Statement No. 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.

The SDBF does not incur TMRS Administrative Expenses. The City is charged and the administrative expenses are paid through the TMRS Defined Benefit Pension Plan recorded under GASB Statement No. 68.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00% (as compared to 2.75% in the prior year), as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1 % Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
City's total OPEB liability	\$ 472,026	\$ 386,321	\$ 321,491

8. Postemployment Benefits Other Than Pensions (OPEB) – continued

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$34,845. At year-end, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience (net of current year amortization)	\$ 26,735	\$ 54,298
Changes in assumptions and other inputs	75,990	7,517
Contributions made subsequent to measurement date	9,871	-
Total	<u>\$ 112,596</u>	<u>\$ 61,815</u>

\$9,871 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:		
2022	\$	17,000
2023		13,582
2024		5,530
2025		4,798
2026		
Thereafter		
Total	<u>\$</u>	<u>40,910</u>

9. Commitments and Contingencies

The City is involved in litigation from time to time during the ordinary course of business. Management estimates that any potential litigation will not have a material impact on the City's financial statements.

In March 2020, Texas Governor Greg Abbott declared the state of Texas a disaster area as a result of the COVID-19 pandemic. Subsequently, the continued spread of this novel coronavirus across the United States and the world has created significant uncertainty about the breadth and duration of business disruptions associated with the pandemic. The extent of the impact of COVID-19 on the City's operations and financial performance will depend on the duration and spread of the virus. The effects of the pandemic on the City cannot be determined at this time.

9. Commitments and Contingencies - continued

The City participates in various state and federal grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs by the granting organizations for the year ended September 30, 2021, have not been conducted. Accordingly, the City's final compliance with applicable grant and contract requirements will be established at some future date. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

The City has entered into various construction commitments for several projects. Total committed amounts are approximately \$1,700,000 and will be funded through the use of the 2021 bond proceeds and various grants.

Subsequent to year-end, the City Council approved a Notice of Intent to issue 2022 Series Certificates of Obligation totaling \$8.045M (\$6.225M I&S Supported and \$1.82M W/S) on April 19, 2021. Planned expenditures for the bond proceeds include Street & Sidewalk improvements, park improvements, facilities improvements, and water & wastewater treatment plant repairs.

The City has a proposed agreement with TCEQ to resolve certain deficiencies at the sewer treatment plant. Management expects that the proposal will cure any deficiencies identified by TCEQ.

The EDC has entered into agreements to attract development of a new business operation in the local area. A portion of the agreement would award up to \$825,000 in grants. In addition, additional incentives could be awarded based on employees hired by the business.

10. Balances and Transfers/Payments Within the Reporting Entity

Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" in the governmental fund financial statements include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). At year-end, \$1,300 was due to the General Fund from the Water, Sewer & Sanitation fund.

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. The government-wide statement of activities eliminates transfers reported within governmental activities. The following schedule reports transfers and payments within the reporting entity:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 6,060
Water and Sewer Fund	5,736	
Capital Projects Fund		5,736
Other Governmental Funds	6,060	
Total transfers	\$ 11,796	\$ 11,796

The transfers from the General Fund provided the other governmental funds with supplementary funding for the year.

11. Economic Dependence

City operations are funded by taxes and revenues provided by the residents of the City of Commerce, Texas. Accordingly, the City is economically dependent on the property values and local economy of City of Commerce, Texas and the surrounding area.

12. Restricted Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments in business-type activities and the Water, Sewer and Sanitation fund were restricted for capital projects are as follows at year-end:

Cash and cash equivalents	\$ 1,633,777
Investments	<u>75,704</u>
Totals	<u>\$ 1,709,481</u>

Amounts restricted for capital projects represent bond proceeds awaiting expenditure for capital projects.

Cash and cash equivalents accumulated from the hotel motel tax (\$26,978) and for employee benefit payments (\$135,030) are also included in restricted cash at year-end.

Cash and cash equivalents maintained in the Capital Projects Fund represent unspent bond proceeds that are expected to be used for capital projects contemplated by the bond issue.

REQUIRED SUPPLEMENTARY INFORMATION

City of Commerce, Texas
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Ad valorem taxes	\$ 2,338,909	\$ 2,338,909	\$ 2,368,313	\$ 29,404
Franchise taxes	493,000	493,000	499,580	6,580
Sales tax	1,000,000	1,000,000	1,294,019	294,019
Beverage tax	16,000	16,000	12,105	(3,895)
Payments in lieu of taxes	137,600	137,600	137,600	-
Fines	75,000	75,000	81,779	6,779
Administration fees from proprietary funds	646,600	646,600	646,600	-
Permits and inspection fees	53,700	53,700	90,234	36,534
Intergovernmental	37,480	37,480	31,689	(5,791)
Component unit administration fees	104,771	104,771	107,826	3,055
Other income	353,000	353,000	411,769	58,769
Charges for services	32,300	32,300	50,019	17,719
Rents and leases	6,900	6,900	7,300	400
Interest	50,000	50,000	40,734	(9,266)
Federal and state grants	1,000	1,000	14,145	13,145
Total Revenues	5,346,260	5,346,260	5,793,712	447,452
Expenditures:				
Administration	1,699,124	1,699,124	1,651,261	47,863
Police department	1,636,540	1,636,540	1,641,781	(5,241)
Fire and emergency services	1,155,946	1,155,946	1,003,314	152,632
Public works	586,380	586,380	521,519	64,861
Parks and recreation	467,975	467,975	364,844	103,131
Community Development	95,288	95,288	160,284	(64,996)
Judicial	67,922	67,922	56,571	11,351
Library	68,987	68,987	70,533	(1,546)
Capital outlay			-	-
Debt Service:				
Principal			-	-
Interest and fiscal charges			-	-
Total Expenditures	5,778,162	5,778,162	5,470,107	308,055
Excess (Deficiency) of Revenues Over Expenditures	(431,902)	(431,902)	323,605	755,507
Other Financing Sources (Uses):				
Proceeds from sale of capital assets			15,840	15,840
Operating transfers in (out)			(6,060)	(6,060)
Net Other Financing Sources (Uses)	-	-	9,780	9,780
Net change in fund balances	(431,902)	(431,902)	333,385	765,287
Fund balance, October 1	2,061,907	2,061,907	2,061,907	-
Fund balance, September 30	\$ 1,630,005	\$ 1,630,005	\$ 2,395,292	\$ 765,287

See accountant's report on required supplementary information.

City of Commerce, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years (will ultimately be displayed)

	Plan Year Ended December 31,					
	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 335,690	\$ 336,915	\$ 329,072	\$ 317,484	\$ 321,694	\$ 321,674
Interest on the Total Pension Liability	819,336	789,761	760,052	733,737	704,581	685,933
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(39,678)	(128,639)	(114,660)	(179,982)	(131,344)	(21,602)
Change of assumptions	(527,519)	(18,054)	-	-	-	74,198
Benefit payments, including refunds of employee contributions	(527,519)	(554,935)	(521,566)	(452,796)	(468,961)	(373,073)
Net Change in Total Pension Liability	587,829	425,048	452,898	418,443	425,970	687,130
Total Pension Liability - Beginning	12,234,225	11,809,177	11,356,279	10,937,836	10,511,866	9,824,736
Total Pension Liability - Ending	<u>\$ 12,822,054</u>	<u>\$ 12,234,225</u>	<u>\$ 11,809,177</u>	<u>\$ 11,356,279</u>	<u>\$ 10,937,836</u>	<u>\$ 10,511,866</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 285,440	\$ 279,428	\$ 256,451	\$ 242,205	\$ 229,774	\$ 256,531
Contributions - employee	146,079	143,003	140,749	136,376	137,125	144,249
Net investment income	910,163	1,624,770	(328,597)	1,345,429	621,688	13,526
Benefit payments, including refunds of employee contributions	(527,519)	(554,935)	(521,566)	(452,796)	(468,961)	(373,073)
Administrative expense	(5,893)	(9,186)	(6,354)	(6,975)	(7,021)	(8,238)
Other	(230)	(276)	(332)	(354)	(378)	(408)
Net Change in Plan Fiduciary Net Position	808,040	1,482,804	(459,649)	1,263,885	512,227	32,587
Plan Fiduciary Net Position - Beginning	11,998,235	10,515,431	10,975,080	9,711,195	9,198,968	8,690,928
Plan Fiduciary Net Position - Ending	<u>\$ 12,806,275</u>	<u>\$ 11,998,235</u>	<u>\$ 10,515,431</u>	<u>\$ 10,975,080</u>	<u>\$ 9,711,195</u>	<u>\$ 9,198,968</u>
Net Pension Liability (Asset) - Ending	<u>\$ 15,779</u>	<u>\$ 235,990</u>	<u>\$ 1,293,746</u>	<u>\$ 381,199</u>	<u>\$ 1,226,641</u>	<u>\$ 1,312,898</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	99.88%	98.07%	89.04%	96.64%	88.79%	87.51%
Covered Employee Payroll	\$ 2,921,586	\$ 2,860,057	\$ 2,814,988	\$ 2,727,528	\$ 2,742,493	\$ 2,884,971
Net Pension Liability as a Percentage of Covered Employee Payroll	0.54%	8.25%	45.96%	13.98%	44.73%	45.51%
						24.25%

City of Commerce, Texas
Schedule of Pension Contributions
Last 10 Fiscal Years (will ultimately be displayed)

	Fiscal Year Ended September 30,					
	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 310,171	\$ 286,093	\$ 278,996	\$ 252,087	\$ 249,812	\$ 244,732
Contributions in relation to the actuarially determined contribution	310,171	286,093	278,996	252,087	249,812	244,732
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3,216,177	\$ 2,928,277	\$ 2,856,341	\$ 2,813,919	\$ 2,774,965	\$ 2,791,822
Contributions as a percentage of covered employee payroll	9.64%	9.77%	9.77%	8.96%	9.00%	8.77%
						9.24%

Schedule Notes:

Valuation Dates:

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	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

City of Commerce, Texas
Schedule of Changes in Total OPEB Liability and Related Ratios
Last 10 Fiscal Years (will ultimately be displayed)

Actuarial Valuation & Measurement Date, December 31,

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 8,765	\$ 7,150	\$ 8,163	\$ 6,819
Interest on the total OPEB liability	9,080	12,672	9,322	9,306
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(5,936)	(80,778)	63,698	-
Changes in assumptions or other inputs	50,234	51,799	(17,909)	21,284
Benefit payments *	(3,214)	(2,860)	(2,815)	(2,455)
Net Change in Total OPEB Liability	58,929	(12,017)	60,459	34,954
Total OPEB Liability - Beginning	327,392	339,409	278,950	243,996
Total OPEB Liability - Ending	386,321	327,392	339,409	278,950
Covered Payroll	\$ 2,921,586	\$ 2,860,057	\$ 2,814,988	\$ 2,727,528
Total OPEB Liability as a Percentage of Covered Payroll	13.22%	11.45%	12.06%	10.23%
Required contribution	\$ 11,447	\$ 6,735	\$ 6,638	\$ 2,455
Actual contribution	11,447	6,735	6,638	2,455
Difference	\$ -	\$ -	\$ -	\$ -
Required contribution as a % of Covered Payroll	0.392%	0.235%	0.236%	0.090%

Schedule Notes:

Plan information:

Single-employer unfunded OPEB plan

There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75 paragraph 4 to pay related benefits.

Actuarial Valuation & Measurement Date:

December 31

Significant actuarial assumptions used to measure the total OPEB liability:

Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount Rate	2.00% (Based on Fidelity Index's "20-year Municipal GO AA Index" rate as of 12/31/20)
Retirees' Share of Benefit-related Costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

This schedule is presented to illustrate the requirements to show information for 10 years. Future years will be provided as the information becomes available.

**COMBINING NON-MAJOR GOVERNMENTAL FUND
FINANCIAL STATEMENTS**

**City of Commerce, Texas
Combining Balance Sheet
Other Governmental Funds
September 30, 2021**

	Airport	Recreational Programs	Hotel/ Motel	Employee Benefits Trust	Municipal Court Security	Municipal Court Technology	Total
ASSETS							
Cash & cash equivalents	\$ 70	\$ 2,305	\$ -	\$ -	\$ 23,491	\$ 36,580	\$ 62,446
Cash & cash equivalents - restricted			26,978	135,030			162,008
Grant receivable	244						244
Other receivables	559						559
Total Assets	\$ 873	\$ 2,305	\$ 26,978	\$ 135,030	\$ 23,491	\$ 36,580	\$ 225,257
LIABILITIES							
Accounts payable	117	2,305		-	1,122	1,000	4,544
Unearned grant revenues							-
Total Liabilities	117	2,305	-	-	1,122	1,000	4,544
FUND BALANCE							
Restricted for:							
Court security & technology					22,369	35,580	57,949
Employee benefits				135,030			135,030
Hotel/motel			26,978				26,978
Committed for:							
Animal Shelter							-
Capital improvements							-
Assigned for:							
Airport	756						756
Grant							-
Unassigned							-
Total Fund Balances	756	-	26,978	135,030	22,369	35,580	220,713
Total Liabilities and Fund Balances	\$ 873	\$ 2,305	\$ 26,978	\$ 135,030	\$ 23,491	\$ 36,580	\$ 225,257

See auditor's report on supplementary information.

City of Commerce, Texas
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Other Governmental Funds
Year Ended September 30, 2021

	Airport Fund	Recreational Programs	Hotel/ Motel	Employee Benefits Trust	Municipal Court Security	Municipal Court Technology	Total
Revenues:							
Hotel/motel tax	\$ -	\$ -	\$ 21,241	\$ -	\$ -	\$ -	\$ 21,241
Fines					1,759	2,343	4,102
Other income				597,305			597,305
Donations		-					-
Charges for services		11,300					11,300
Rents and leases	6,155						6,155
Interest	-	-		715			715
Federal, state and local grants	975						975
Capital grants							-
Total Revenues	7,130	11,300	21,241	598,020	1,759	2,343	641,793
Expenditures:							
Administration			14,998	596,794			611,792
Police department							-
Parks and Recreation		13,868					13,868
Airport	15,808						15,808
Judicial					4,801		4,801
Bond issue costs							-
Capital outlay							-
Total Expenditures	15,808	13,868	14,998	596,794	4,801	-	646,269
Excess (deficiency) of Revenues Over (Under) Expenditures	(8,678)	(2,568)	6,243	1,226	(3,042)	2,343	(4,476)
Other Financing Sources (Uses):							
Proceeds from long-term debt							-
Operating transfers in (out)	2,500	3,560					6,060
Net Other Financing Sources (Uses)	2,500	3,560	-	-	-	-	6,060
Net change in fund balances	(6,178)	992	6,243	1,226	(3,042)	2,343	1,584
Fund Balance, beginning	6,934	(992)	20,735	133,804	25,411	33,237	219,129
Fund Balance, ending	\$ 756	\$ -	\$ 26,978	\$ 135,030	\$ 22,369	\$ 35,580	\$ 220,713

See auditor's report on supplementary information.

SUPPLEMENTARY SCHEDULES

City of Commerce, Texas
Historical Schedule of Taxable Property Valuation
September 30, 2021 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Taxable Valuation
2020	2021	\$ 390,319,380
2019	2020	353,162,026
2018	2019	325,244,485
2017	2018	299,954,586
2016	2017	295,380,730
2015	2016	287,724,309
2014	2015	297,691,911
2013	2014	281,572,406
2012	2013	278,996,321
2011	2012	274,189,480

City of Commerce, Texas
Schedule of Delinquent Taxes Receivable
September 30, 2021 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Outstanding Balance
2020	2021	\$ 66,954
2019	2020	42,000
2018	2019	30,074
2017	2018	25,985
2016	2017	26,723
2015	2016	17,227
2014	2015	16,576
2013	2014	13,731
2012	2013	11,830
	2012 and prior	60,646
	Allowance for uncollectible tax	<u>(31,175)</u>
	Delinquent tax receivable, net	<u>\$ 280,571</u>

City of Commerce, Texas
Budgetary Comparison Schedule
Debt Service Fund
Year Ended September 30, 2021 (Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Ad valorem taxes	\$ 728,853	\$ 728,853	\$ 822,621	\$ 93,768
Total Revenues	<u>728,853</u>	<u>728,853</u>	<u>822,621</u>	<u>93,768</u>
Expenditures:				
Debt Service:				
Principal	481,863	481,863	550,000	(68,137)
Interest and fiscal charges	243,989	255,989	259,411	(3,422)
Total Expenditures	<u>725,852</u>	<u>737,852</u>	<u>809,411</u>	<u>(71,559)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,001</u>	<u>(8,999)</u>	<u>13,210</u>	<u>22,209</u>
Other Financing Sources (Uses):				
Operating transfers in (out)	-	-	-	-
Net Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>3,001</u>	<u>(8,999)</u>	<u>13,210</u>	<u>22,209</u>
Fund balance, October 1	<u>59,759</u>	<u>59,759</u>	<u>59,759</u>	<u>-</u>
Fund balance, September 30	<u>\$ 62,760</u>	<u>\$ 50,760</u>	<u>\$ 72,969</u>	<u>\$ 22,209</u>