

**CITY OF BOWIE, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2021**



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

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report on Financial Statements.....	1-2	
Management's Discussion and Analysis (Required Supplementary Information).....	3-10	
 <u>Basic Financial Statements:</u>		
Government-Wide Financial Statements:		
Statement of Net Position.....	11	A-1
Statement of Activities.....	12-13	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Fund.....	14	A-3
Reconciliation of the Governmental Fund		
Balance Sheet to the Statement of Net Position.....	15	A-4
Statement of Revenues, Expenditures, and Change in		
Fund Balance - Governmental Fund.....	16	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Change in		
Fund Balance of Governmental Fund to the Statement of Activities.....	17	A-6
Statement of Net Position - Enterprise Fund.....	18	A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Enterprise Fund.....	19	A-8
Statement of Cash Flows - Enterprise Fund.....	20	A-9
Notes to the Financial Statements.....	21-44	
 <u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule - General Fund.....	45-46	B-1
Texas Municipal Retirement System Schedule of Funding Progress		
Changes in Net Pension Liability and Related Ratios.....	47	B-2
Texas Municipal Retirement System Schedule of Contributions.....	48	B-3
Texas Municipal Retirement System Schedule of Changes in Total OPEB		
Liability and Related Ratios.....	49	B-4
 <b>INTERNAL CONTROL AND COMPLIANCE</b>		
Report on Internal Control over Financial Reporting and on Compliance and		
Other Matters Based on an Audit of Financial Statements Performed		
in Accordance with <i>Government Auditing Standards</i> .....	50-51	
Schedule of Findings and Responses.....	52-53	

*Financial Section*



## Independent Auditor's Report on Financial Statements

City Council  
City of Bowie, Texas  
304 Lindsey Street  
Bowie, Texas 76360

Members of the City Council:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bowie, 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 Bowie, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bowie, 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**

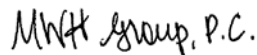
### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, Texas Municipal Retirement System Schedule of Contributions, and Texas Municipal Retirement System Schedule of Changes in Total OPEB Liability and Related Ratios on pages 3 through 10, and 45 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

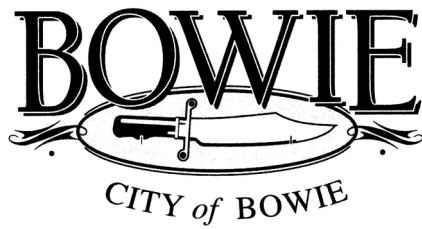
In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2022 on our consideration of the City of Bowie, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bowie, Texas' internal control over financial reporting and compliance.

Respectfully submitted,



MWH GROUP, P.C.

Wichita Falls, Texas  
March 18, 2022



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Bowie, Texas, we offer readers of the City's Annual Financial Report this narrative overview and analysis of the City's financial performance during the fiscal year ended September 30, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

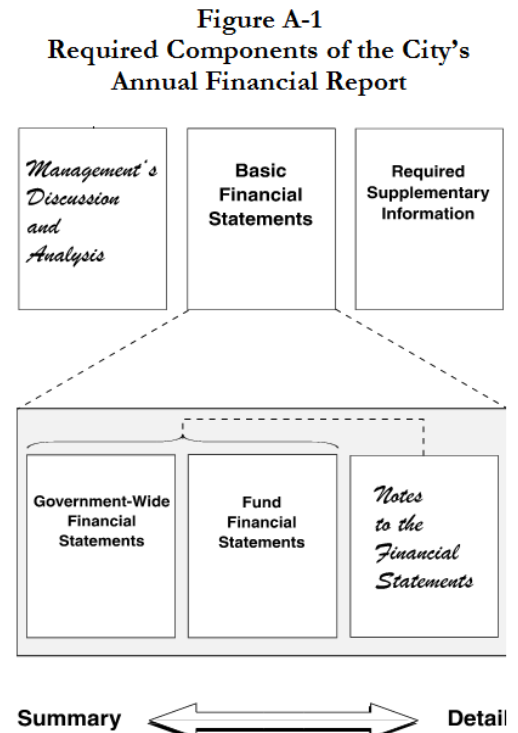
### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$29,951,190 (net position). Of this amount, \$8,611,355 (unrestricted net position) may be used to meet the City's obligations.
- During the year, the City's total net position decreased by \$274,311.
- The governmental funds reported a fund balance this year of \$2,765,370, which is an increase of \$381,056 from the prior year. Of this amount, \$1,833,167 is available for spending at the government's discretion (unassigned fund balance), and \$667,720 is restricted by outside agencies for specific purposes. The remaining \$264,483 is assigned by City Council for specific purposes.
- At the end of the current fiscal year, unassigned and assigned fund balance for the general fund was \$2,097,650, or 26% of the total General Fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- The *proprietary fund statements* offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*, such as the water, sewer, and electric systems.



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

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

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

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

### **Government-wide Statements**

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

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

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City are divided into three categories:

- **Governmental activities.** Most of the City's basic services are included here, such as public safety, streets, sanitation, parks, administration, and finance.
- **Business-type activities.** The City charges fees to customers to help it cover the cost of certain services it provides. The City's water, sewer, and electric systems are included here.
- **Component Units.** The City includes two other entities in its report - the Bowie Economic Development Corporation, and the Bowie 4B Sales Tax Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them.

## Fund Financial Statements

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

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

The City has the following kinds of funds:

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

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net position.** The City's combined net position was \$29,951,190 at September 30, 2021. (See Table A-1)

**Table A-1**  
**City's Net Position**

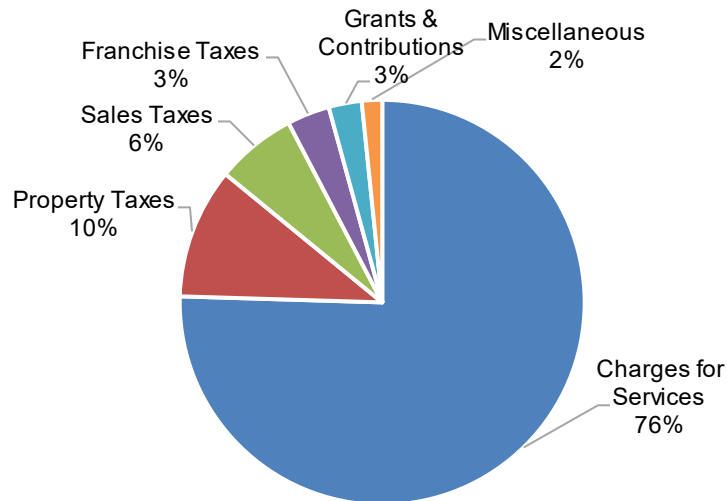
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 3,751,945	\$ 3,069,362	\$ 17,437,710	\$ 8,554,128	\$ 21,189,655	\$ 11,623,490
Capital assets, net	10,008,907	10,426,437	16,469,695	16,824,698	26,478,602	27,251,135
Total assets	13,760,852	13,495,799	33,907,405	25,378,826	47,668,257	38,874,625
Deferred outflows of resources	290,323	258,029	68,969	62,466	359,292	320,495
Long-term liabilities	2,764,649	3,193,443	13,444,925	4,258,196	16,209,574	7,451,639
Other liabilities	731,582	211,331	531,328	430,223	1,262,910	641,554
Total liabilities	3,496,231	3,404,774	13,976,253	4,688,419	17,472,484	8,093,193
Deferred inflows of resources	493,709	713,795	110,166	162,631	603,875	876,426
Net position						
Net investment in capital assets	8,099,894	8,177,624	3,224,033	12,792,410	11,323,927	20,970,034
Restricted	667,720	797,569	9,348,188	-	10,015,908	797,569
Unrestricted	1,293,621	660,066	7,317,734	7,797,832	8,611,355	8,457,898
Total net position	\$ 10,061,235	\$ 9,635,259	\$ 19,889,955	\$ 20,590,242	\$ 29,951,190	\$ 30,225,501



The \$8,611,355 of unrestricted net position at September 30, 2021 represents resources available to fund the programs of the City next year if sufficient resources are not derived from future resources. The restricted net position is required to be set aside for long-term debt and other program purposes.

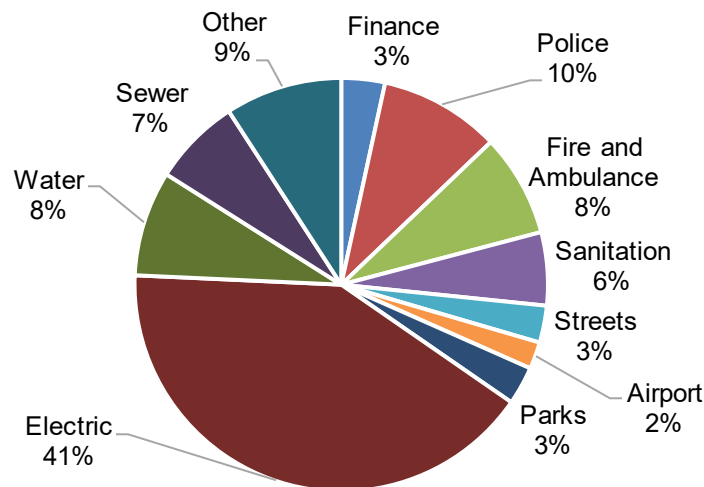
**Changes in net position.** The City's total revenues, both program and general, were \$17,511,430. A significant portion, 76%, of the City's revenue comes from charges for services. Sales, property, and franchise taxes make up 6%, 10%, and 3% of total revenues, respectively. Grants and contributions and other minor categories combined make up the remaining 5% of the City's total revenues. (See Figure A-3.)

**Figure A-3  
Sources of Revenue for Fiscal Year 2021**



The total cost of all programs and services was \$17,785,741. Of these costs 56% are for water, sewer, and electric expenses. The City's other expenses cover a range of services, with 10% for the police department, 8% for the fire and ambulance department, 6% for the sanitation department, 3% each for the finance, street, and parks departments, and 2% for the airport. Other categories combined make up the remaining 9%. (See Figure A-4.)

**Figure A-4  
Functional Expenses for Fiscal Year 2021**



## Governmental Activities

Table A-2 presents the various revenue categories and gross costs of each of the City's functional areas for the current year.

**Table A-2**  
**Changes in Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,489,821	\$ 2,133,580	\$ 10,725,955	\$ 10,494,753	\$ 13,215,776	\$ 12,628,333
Operating grants and contributions	137,028	495,007	-	-	137,028	495,007
Capital grants and contributions	-	-	324,135	-	324,135	-
General revenues:						
Property taxes	1,829,902	1,778,258	-	-	1,829,902	1,778,258
Sales taxes	1,124,222	1,031,869	-	-	1,124,222	1,031,869
Franchise taxes	596,337	587,303	-	-	596,337	587,303
Other taxes	72,034	68,892	-	-	72,034	68,892
Investment earnings	1,132	15,700	3,730	40,002	4,862	55,702
Miscellaneous	155,698	263,309	-	-	155,698	263,309
Gain (loss) on disposal	(12,518)	-	63,954	-	51,436	-
<b>Total revenues</b>	<b>6,393,656</b>	<b>6,373,918</b>	<b>11,117,774</b>	<b>10,534,755</b>	<b>17,511,430</b>	<b>16,908,673</b>
<b>Expenses</b>						
Administration	434,865	386,167	-	-	434,865	386,167
Finance	606,868	614,478	-	-	606,868	614,478
Public safety – police	1,684,056	1,710,514	-	-	1,684,056	1,710,514
Public safety – fire and ambulance	1,426,517	1,408,436	-	-	1,426,517	1,408,436
Municipal court	92,612	95,575	-	-	92,612	95,575
Sanitation	1,019,176	920,176	-	-	1,019,176	920,176
Streets	514,350	558,352	-	-	514,350	558,352
Airport	376,075	347,254	-	-	376,075	347,254
Second Monday	69,344	62,073	-	-	69,344	62,073
Recreation and swimming	105,426	91,436	-	-	105,426	91,436
Library	234,722	220,703	-	-	234,722	220,703
Senior citizens	6,461	3,543	-	-	6,461	3,543
Parks	532,115	485,707	-	-	532,115	485,707
Hotel and motel	46,832	65,227	-	-	46,832	65,227
Code enforcement	140,913	142,361	-	-	140,913	142,361
Community development	115,370	133,023	-	-	115,370	133,023
Reservoirs	120,489	120,489	-	-	120,489	120,489
Community center	214,355	207,475	-	-	214,355	207,475
Interest expense	47,734	114,336	-	-	47,734	114,336
Water	-	-	1,464,595	1,372,652	1,464,595	1,372,652
Sewer	-	-	1,222,848	820,150	1,222,848	820,150
Electric	-	-	7,310,018	6,406,148	7,310,018	6,406,148
<b>Total expenses</b>	<b>7,788,280</b>	<b>7,687,325</b>	<b>9,997,461</b>	<b>8,598,950</b>	<b>17,785,741</b>	<b>16,286,275</b>
<b>Transfers</b>	<b>1,820,600</b>	<b>1,822,271</b>	<b>(1,820,600)</b>	<b>(1,822,271)</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>425,976</b>	<b>508,864</b>	<b>(700,287)</b>	<b>113,534</b>	<b>(274,311)</b>	<b>622,398</b>
Net position - beginning	9,635,259	9,126,395	20,590,242	20,476,708	30,225,501	29,603,103
<b>Net position - ending</b>	<b>\$ 10,061,235</b>	<b>\$ 9,635,259</b>	<b>\$ 19,889,955</b>	<b>\$ 20,590,242</b>	<b>\$ 29,951,190</b>	<b>\$ 30,225,501</b>

Explanations for the large and/or unusual variances between 2020 and 2021 are as follows:

- The charges for services increased by \$587,443, or 5%, with an increase of \$356,241 in governmental activities and \$231,202 in business-type activities. The increase in governmental activities was caused by an increase in ambulance activity in 2021 after pandemic-related concern reduced the number of requests for assistance in 2020. The increase in business-type activity was primarily due to an increase in water sold during the 2021 year.
- Capital grants and contributions increased by \$324,135, as the City received grant funding from the Texas Community Development Block Grant (CDBG) in 2021. The Texas CDBG grant was used for sewer system upgrades.
- Sewer expenses increased \$402,698, or 49%. In 2021, the City issued a new bond through the Texas Water Development Board for a major sewer system improvement. The City incurred bond issuance fees and other related expenses in relation to the issuance of that bond.
- Electric expenses increased by \$903,870, or 14%. The City's power purchased increased significantly as the City was obligated to pay excessive rates for power purchased during the February 2021 winter storm. This expense was not passed on to the citizens.

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

- The cost of all *governmental* activities this year was \$7,788,280; however, the amount that our taxpayers paid for these activities through property taxes was only \$11,829,902.
- Some of the cost was paid by those who directly benefited from the programs through charges for services of \$2,489,821.

**Table A-3  
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Public safety - police	\$ 1,684,056	\$ 1,710,514	\$ 960,574	\$ 1,630,279
Public safety - fire and ambulance	1,426,517	1,408,436	491,010	372,442
Sanitation	1,019,176	920,176	7,949	(72,108)
Streets	514,350	558,352	514,350	558,352
Finance	606,868	614,478	606,868	614,478
Parks	532,115	485,707	505,017	454,262

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### General Fund Budgetary Highlights

During the course of the year, the City amended its budget one time. Actual expenditures were \$69,979 above and actual revenues were \$758,277 above final budget amounts.

The most significant revenue variance was intergovernmental revenue, where actual revenues were \$327,604 above final budgeted revenues. The City received more grant funding through the CARES Act than was anticipated in the budget.

The most significant expenditure variance was in Administration, which exceeded the budget by \$143,599 as actual costs for a building renovation in the administrative offices exceeded the budgeted amount. The City was over budget five other departments: Sanitation (\$82,176), Airport (\$6,334), Second Monday (\$5,011), Parks (\$806), and Code Enforcement (\$4,589).

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2021, the City had invested in a broad range of capital assets, net of accumulated depreciation, totaling \$26,478,602, including land, equipment, buildings, and vehicles. (See Table A-4.)

**Table A-4**  
**Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 612,189	\$ 612,189	\$ 267,499	\$ 267,499	\$ 879,688	\$ 879,688
Buildings, systems and and improvements, net	6,254,707	6,176,683	14,765,288	15,091,440	21,019,995	21,268,123
Machinery and equipment, net	1,118,236	1,386,809	683,847	900,108	1,802,083	2,286,917
Construction in progress	-	144,554	753,061	565,651	753,061	710,205
Capital leases	150,054	150,054	-	-	150,054	150,054
Infrastructure	1,873,721	1,956,148	-	-	1,873,721	1,956,148
<b>Totals</b>	<b>\$10,008,907</b>	<b>\$10,426,437</b>	<b>\$16,469,695</b>	<b>\$16,824,698</b>	<b>\$26,478,602</b>	<b>\$27,251,135</b>

### Long-term Liabilities

At year-end, the City had \$14,111,586 in bonds, notes payable, compensated absences, and leases outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

**Table A-5**  
**Long-term Liabilities Outstanding**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Capital leases payable	\$ 149,380	\$ 196,255	\$ -	\$ 1,277,288	\$ 149,380	\$ 1,473,543
Notes payable	551,633	722,558	986,662	-	1,538,295	722,558
Refunding bonds	1,208,000	-	-	-	1,208,000	-
Revenue bonds	-	-	12,259,000	2,755,000	12,259,000	2,755,000
Compensated absences	136,970	130,542	27,941	27,449	164,911	157,991
<b>Totals</b>	<b>\$ 2,045,983</b>	<b>\$ 1,049,355</b>	<b>\$13,273,603</b>	<b>\$ 4,059,737</b>	<b>\$15,319,586</b>	<b>\$ 5,109,092</b>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appraised value used for the 2020-2021 budget preparation is \$350,011,340, up \$21,258,638, or 6.5% above last year's values. This indicator was taken into account when adopting the General Fund budget for 2021-2022.

Budgeted General Fund revenues (excluding transfers from other funds) for 2021-2022 are \$6,414,877, which represents a 12% decrease of \$846,243 from 2020-2021 actual revenues of \$7,261,120. Budgeted General Fund expenditures for 2021-2022 are \$8,210,975, which represents a 2% increase of \$142,717 from 2020-2021 actual expenditures of \$8,067,975. If these estimates are realized, along with budgeted transfers to the

General Fund from the Utility Fund of \$1,866,243, the City's budgeted General Fund balance is expected to increase by \$70,428 by the close of 2021-2022.

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

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the City's Administration Office.

*Basic Financial Statements*

**CITY OF BOWIE, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

**EXHIBIT A-1**

	Primary Government			Component Units	
	Governmental	Business-type	Total	Bowie	Bowie
	Activities	Activities		Economic	4B
			Development	Sales Tax	
			Corporation	Corporation	
<b>Assets:</b>					
Cash and cash equivalents	\$ 445,169	\$ 3,358,536	\$ 3,803,705	\$ 100,276	\$ 14,325
Investments	1,324,975	3,562,069	4,887,044	1,357,145	2,190,714
Receivables, net of allowances for uncollectibles:					
Taxes	232,557	10,987	243,544	94,908	94,908
Accounts	127,487	1,090,480	1,217,967	-	-
Ambulance	212,259	-	212,259	-	-
Municipal Court	158,702	-	158,702	-	-
Other	15,878	-	15,878	-	-
Interfund balances	(67,450)	67,450	-	-	-
Due to/from component units	1,059	-	1,059	(710)	(349)
Property held for sale	-	-	-	2,846,579	-
Restricted assets:					
Cash and cash equivalents	1,044,462	9,348,188	10,392,650	600,000	-
Investments	256,847	-	256,847	-	-
Capital assets, net of accumulated depreciation	10,008,907	16,469,695	26,478,602	2,515,281	5,411,388
Total assets	<u>13,760,852</u>	<u>33,907,405</u>	<u>47,668,257</u>	<u>7,513,479</u>	<u>7,710,986</u>
<b>Deferred outflows of resources</b>					
Deferred outflows of resources from pensions	224,306	53,492	277,798	-	-
Deferred outflows of resources from OPEB	66,017	15,477	81,494	-	-
Total deferred outflows of resources	<u>290,323</u>	<u>68,969</u>	<u>359,292</u>	<u>-</u>	<u>-</u>
<b>Liabilities:</b>					
Accounts payable	56,266	389,372	445,638	-	-
Accrued liabilities	-	50,088	50,088	-	-
Accrued payroll	28,212	6,340	34,552	794	-
Accrued interest payable	13,515	85,528	99,043	-	6,464
Unearned revenue	633,589	-	633,589	600,000	-
Long-term liabilities:					
Accrued compensated absences	136,970	27,941	164,911	8,367	-
Net pension liability	405,669	96,707	502,376	-	-
Total OPEB liability	312,997	74,615	387,612	-	-
Portion due or payable within one year	347,813	570,575	918,388	68,709	85,254
Portion due or payable after one year	1,561,200	12,675,087	14,236,287	1,009,913	1,714,768
Total liabilities	<u>3,496,231</u>	<u>13,976,253</u>	<u>17,472,484</u>	<u>1,687,783</u>	<u>1,806,486</u>
<b>Deferred inflows of resources</b>					
Deferred inflows of resources from pensions	480,675	106,905	587,580	-	-
Deferred inflows of resources from OPEB	13,034	3,261	16,295	-	-
Total deferred inflows of resources	<u>493,709</u>	<u>110,166</u>	<u>603,875</u>	<u>-</u>	<u>-</u>
<b>Net position:</b>					
Net investment in capital assets	8,099,894	3,224,033	11,323,927	1,436,659	3,611,366
Restricted	667,720	9,348,188	10,015,908	-	-
Unrestricted	1,293,621	7,317,734	8,611,355	4,389,037	2,293,134
Total net position	<u>\$ 10,061,235</u>	<u>\$ 19,889,955</u>	<u>\$ 29,951,190</u>	<u>\$ 5,825,696</u>	<u>\$ 5,904,500</u>

The accompanying notes are an integral part of this statement.

**CITY OF BOWIE, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Administration	\$ 434,865	\$ 3,944	\$ -	\$ -
Finance	606,868	-	-	-
Public safety - police	1,684,056	87,996	1,897	-
Public safety - fire and ambulance	1,426,517	836,947	98,560	-
Municipal court	92,612	88,814	-	-
Sanitation	1,019,176	1,011,227	-	-
Streets	514,350	-	-	-
Airport	376,075	156,292	-	-
Second Monday	69,344	91,400	-	-
Recreation and swimming	105,426	25,765	-	-
Library	234,722	10,457	28,461	-
Senior citizens	6,461	-	-	-
Parks	532,115	27,098	-	-
Hotel and motel	46,832	-	-	-
Code enforcement	140,913	91,551	-	-
Community development	115,370	-	-	-
Reservoirs	120,489	-	-	-
Community center	214,355	58,330	8,110	-
Interest expense	47,734	-	-	-
<b>Total governmental activities</b>	<b>7,788,280</b>	<b>2,489,821</b>	<b>137,028</b>	<b>-</b>
<b>Business-type activities:</b>				
Water	1,464,595	1,967,490	-	-
Sewer	1,222,848	1,031,018	-	324,135
Electric	7,310,018	7,727,447	-	-
<b>Total business-type activities</b>	<b>9,997,461</b>	<b>10,725,955</b>	<b>-</b>	<b>324,135</b>
<b>Total primary government</b>	<b>\$ 17,785,741</b>	<b>\$ 13,215,776</b>	<b>\$ 137,028</b>	<b>\$ 324,135</b>
<b>Component units:</b>				
Economic Development Corporation	\$ 623,242	\$ -	\$ -	\$ -
Bowie 4B Sales Tax Corporation	646,142	-	-	-
<b>Total component units</b>	<b>\$ 1,269,384</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>General revenues:</b>				
Property taxes				
Sales taxes				
Franchise taxes				
Other taxes				
Investment earnings				
Miscellaneous				
Gain (loss) on sale of assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

The accompanying notes are an integral part of this statement.



Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total	Component Units	
			Bowie Economic Development Corporation	Bowie 4B Sales Tax Corporation
\$ (430,921)	\$ -	\$ (430,921)	\$ -	\$ -
(606,868)	-	(606,868)	-	-
(1,594,163)	-	(1,594,163)	-	-
(491,010)	-	(491,010)	-	-
(3,798)	-	(3,798)	-	-
(7,949)	-	(7,949)	-	-
(514,350)	-	(514,350)	-	-
(219,783)	-	(219,783)	-	-
22,056	-	22,056	-	-
(79,661)	-	(79,661)	-	-
(195,804)	-	(195,804)	-	-
(6,461)	-	(6,461)	-	-
(505,017)	-	(505,017)	-	-
(46,832)	-	(46,832)	-	-
(49,362)	-	(49,362)	-	-
(115,370)	-	(115,370)	-	-
(120,489)	-	(120,489)	-	-
(147,915)	-	(147,915)	-	-
(47,734)	-	(47,734)	-	-
<u>(5,161,431)</u>	<u>-</u>	<u>(5,161,431)</u>	<u>-</u>	<u>-</u>
-	502,895	502,895	-	-
-	132,305	132,305	-	-
-	417,429	417,429	-	-
-	1,052,629	1,052,629	-	-
<u>(5,161,431)</u>	<u>1,052,629</u>	<u>(4,108,802)</u>	<u>-</u>	<u>-</u>
-	-	-	(623,242)	-
-	-	-	-	(646,142)
-	-	-	<u>(623,242)</u>	<u>(646,142)</u>
1,829,902	-	1,829,902	-	-
1,124,222	-	1,124,222	562,111	562,111
596,337	-	596,337	-	-
72,034	-	72,034	-	-
1,132	3,730	4,862	5,983	6,396
155,698	-	155,698	89,640	-
(12,518)	63,954	51,436	200	-
1,820,600	(1,820,600)	-	-	-
<u>5,587,407</u>	<u>(1,752,916)</u>	<u>3,834,491</u>	<u>657,934</u>	<u>568,507</u>
425,976	(700,287)	(274,311)	34,692	(77,635)
9,635,259	20,590,242	30,225,501	5,791,004	5,982,135
<u>\$ 10,061,235</u>	<u>\$ 19,889,955</u>	<u>\$ 29,951,190</u>	<u>\$ 5,825,696</u>	<u>\$ 5,904,500</u>

The accompanying notes are an integral part of this statement.

**CITY OF BOWIE, TEXAS**

## BALANCE SHEET - GOVERNMENTAL FUND

SEPTEMBER 30, 2021

	General Fund
Assets:	
Cash and cash equivalents	\$ 445,169
Investments	1,324,975
Receivables, net of allowances for uncollectibles:	
Ad valorem taxes	42,741
Sales taxes	189,816
Sanitation	127,487
Ambulance	212,259
Municipal Court	158,702
Other	15,878
Due from other funds	(67,450)
Due from component units	1,059
Restricted cash and cash equivalents	<u>1,301,309</u>
 Total assets	 <u><u>\$ 3,751,945</u></u>
Liabilities:	
Accounts payable	\$ 56,266
Accrued payroll	28,212
Unearned revenue	633,589
Total liabilities	<u>718,067</u>
Deferred inflows of resources:	
Unavailable revenue	<u>268,508</u>
Fund balance:	
Restricted	667,720
Assigned	264,483
Unassigned	1,833,167
Total fund balance	<u>2,765,370</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u><u>\$ 3,751,945</u></u>

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

**CITY OF BOWIE, TEXAS**
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021**

Total fund balance - governmental fund balance sheet (Exhibit A-3) \$ 2,765,370

Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets at year-end consist of:

Gross capital assets	\$ 23,693,693	
Related accumulated depreciation	<u>(13,684,786)</u>	10,008,907

Accounts receivable are not available to pay for current period expenditures and therefore are deferred in the funds.		268,508
---	--	---------

The City's proportionate share of net pension asset as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Net pension liability	(405,669)	
Deferred outflows of resources from pensions	224,306	
Deferred inflows of resources from pensions	<u>(480,675)</u>	(662,038)

The City's total OPEB liability as well as OPEB-related deferred outflows of resources are recognized in the government-wide statements and include:

Total OPEB liability	(312,997)	
Deferred outflows of resources from OPEB	66,017	
Deferred inflows of resources from OPEB	<u>(13,034)</u>	(260,014)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. The long-term liabilities at year-end consists of:

Bonds payable	1,025,283	
Notes payable	641,987	
Accrued compensated absences	136,970	
Capital leases payable	241,743	
Accrued interest	<u>13,515</u>	<u>(2,059,498)</u>

Net position of governmental activities - statement of net position (Exhibit A-1)		<u>\$ 10,061,235</u>
---	--	----------------------

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

## CITY OF BOWIE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE  
IN FUND BALANCE - GOVERNMENTAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund
Revenue:	
Ad valorem taxes	\$ 1,865,854
Sales taxes	1,124,222
Other taxes	668,371
Charges for services	2,326,386
Fines and forfeitures	22,761
Interest income	1,132
Intergovernmental revenue	409,604
Miscellaneous	209,201
Total revenues	<u>6,627,531</u>
Expenditures:	
Administration	463,184
Finance	604,548
Public safety - police	1,738,242
Public safety - fire and ambulance	1,329,951
Municipal court	98,900
Sanitation	1,019,176
Streets	467,309
Airport	182,567
Second Monday	62,542
Recreation and swimming	68,955
Library	238,265
Senior citizens	6,461
Parks	495,589
Hotel and motel	46,832
Code enforcement	142,259
Community development	119,556
Community Center	158,381
Capital outlay	
Administration	211,108
Finance	2,509
Public safety - police	25,727
Public safety - fire and ambulance	31,207
Streets	76,431
Airport	65,808
Parks	1,011
Library	12,418
Second Monday	8,870
Principle payments on debt	
Administration	20,615
Public safety - police	14,798
Public safety - fire and ambulance	106,248
Streets	11,875
Airport	64,264
Community Center	122,000
Interest expense	50,369
Debt issuance costs	-
Total expenditures	<u>8,067,975</u>
Deficiency of revenues under expenditures	<u>(1,440,444)</u>
Other financing sources:	
Transfers	1,820,600
Proceeds from sale of assets	900
Total other financing sources	<u>1,821,500</u>
Change in fund balance	381,056
Fund balance - beginning	2,384,314
Fund balance - ending	<u>\$ 2,765,370</u>

The accompanying notes are an integral part of this statement.

**CITY OF BOWIE, TEXAS**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net change in fund balances - total governmental funds (Exhibit A-5) \$ 381,056

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. The net difference between the two is as follows:

Capital outlay during the year	\$ 435,089	
Depreciation expense for the year	<u>(839,201)</u>	(404,112)

In the statement of activities, the loss on disposal of capital assets is reported. Conversely, governmental funds do not report any or loss on disposal of capital assets.

Cost of disposed capital assets	156,420	
Accumulated depreciation of disposed capital assets	<u>(143,002)</u>	(13,418)

Because accounts receivable will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year. (221,359)

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

Increase in compensated absences	(6,428)	
Decrease in accrued interest on long-term debt	<u>2,635</u>	(3,793)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The net effect of these transactions are as follows:

Issuance of long-term debt	0	
Repayment of long-term debt	<u>339,800</u>	339,800

Changes in the proportionate share of net pension liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these transactions is: 374,469

Changes in the total OPEB liability and related deferred outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these transactions is:

(26,667)

Change in net position of governmental activities - statement of activities (Exhibit A-2) \$ 425,976

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

**CITY OF BOWIE, TEXAS**  
**STATEMENT OF NET POSITION**  
**ENTERPRISE FUND**  
**SEPTEMBER 30, 2021**

	Utility Fund
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 3,358,536
Investments	3,562,069
Receivables, net of allowances for uncollectibles:	
Taxes	10,987
Accounts	1,090,480
Other	-
Total current assets	<u>8,022,072</u>
Restricted assets:	
Cash and cash equivalents	<u>9,348,188</u>
Noncurrent assets:	
Land	267,500
Buildings and improvements	127,628
Utility plant and system	29,308,929
Reservoirs	940,429
Machinery and equipment	2,143,031
Construction in progress	753,061
Reserve for depreciation	<u>(17,070,883)</u>
Total noncurrent assets	<u>16,469,695</u>
Total assets	<u>33,839,955</u>
<b>Deferred outflows of resources:</b>	
Deferred outflows of resources from pensions	53,492
Deferred outflows of resources from OPEB	<u>15,477</u>
Total deferred outflows of resources	<u>68,969</u>
Total assets and deferred outflows of resources	<u>\$ 33,908,924</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	\$ 389,372
Accrued liabilities	50,088
Accrued payroll	6,340
Accrued interest payable	85,528
Due to other funds	(67,450)
Debt due or payable within one year	<u>570,575</u>
Total current liabilities	1,034,453
Long-term liabilities:	
Accrued compensated absences	27,941
Net pension liability	96,707
Total OPEB liability	74,615
Debt due or payable after one year	<u>12,675,087</u>
Total liabilities	<u>13,908,803</u>
<b>Deferred inflows of resources:</b>	
Deferred inflows of resources from pensions	106,905
Deferred inflows of resources from OPEB	<u>3,261</u>
Total deferred inflows of resources	<u>110,166</u>
<b>Net position:</b>	
Net investment in capital assets	3,224,033
Restricted for debt service	9,348,188
Unrestricted	<u>7,317,734</u>
Total net position	<u>19,889,955</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 33,908,924</u>

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

**CITY OF BOWIE, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - ENTERPRISE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Utility Fund
Revenues:	
Metered and flat rate sales	\$ 10,581,826
Tapping and service charges	135,762
Miscellaneous	8,367
Total revenues	<u>10,725,955</u>
Expenses:	
Salaries and contract labor	848,123
Employee benefits	129,461
Payroll taxes	58,657
Professional services	67,480
Vehicle expense	91,465
Utilities	578,030
Supplies and small tools	373,083
Franchise fees	437,793
Permits and fees	57,708
Chemicals	143,953
Equipment rent and repair	168,658
Depreciation	860,287
Insurance	42,005
Power purchased	5,367,499
Bad debts	125,550
Office expense	3,515
Miscellaneous	102,135
Total expenses:	<u>9,455,402</u>
Operating income	<u>1,270,553</u>
Non-operating revenue (expense):	
Interest revenue	3,730
Grant revenue	324,135
Gain on disposal of assets	63,954
Bond issuance costs	(356,021)
Bond interest expense and paying agent fees	(186,038)
Total non-operating revenue (expense)	<u>(150,240)</u>
Income before transfers	1,120,313
Transfers	<u>(1,820,600)</u>
Net loss	(700,287)
Net position - beginning	20,590,242
Net position - ending	<u>\$ 19,889,955</u>

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

**CITY OF BOWIE, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Utility Fund
Cash flows from operating activities:	
Cash received from customers	\$ 10,480,945
Cash payments to employees for services	(1,103,376)
Cash payments to other suppliers for goods and services	(7,398,606)
Net cash provided by operating activities	<u>1,978,963</u>
Cash flows from non-capital financing activities:	
Transfers	<u>(1,820,600)</u>
Cash flows from capital and related financing activities:	
Proceeds from issuance of long-term debt	9,775,000
Bond issuance costs	(356,021)
Principal paid on long-term debt	(561,626)
Interest and paying agent fees paid on long-term debt	(138,129)
Capital grants received	324,135
Acquisition of capital assets	(527,066)
Proceeds from sale of capital assets	85,736
Net cash provided by capital and related financing activities	<u>8,602,029</u>
Cash flows from investing activities:	
Purchase of certificates of deposit	(3,730)
Interest earned	3,730
Net cash provided by investing activities	<u>-</u>
Net increase in cash and cash equivalents	8,760,392
Cash and cash equivalents - beginning	3,946,332
Cash and cash equivalents - ending	<u>\$ 12,706,724</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,270,553
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	860,287
Bad debts	125,550
(Increase) decrease in assets and deferred outflows of resources:	
Taxes receivable	97
Accounts receivable	(75,437)
Other receivables	(125,550)
Deferred outflows related to pensions	85
Deferred outflows related to OPEB	(6,588)
Increase (decrease) in assets and deferred inflows of resources:	
Accounts payable	80,376
Accrued liabilities	2,251
Accrued payroll	(29,431)
Compensated absences	492
Due to other funds	(44,120)
Net pension liability	(37,678)
Total OPEB liability	10,541
Deferred inflows related to pensions	(53,485)
Deferred inflows related to OPEB	1,020
Net cash provided by operating activities	<u>\$ 1,978,963</u>
Reconciliation of cash and cash equivalents	
Unrestricted cash and cash equivalents	\$ 3,358,536
Restricted cash and cash equivalents	9,348,188
	<u>\$ 12,706,724</u>

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



# CITY OF BOWIE, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

### A. Summary of Significant Accounting Policies

The accompanying financial statements of the City of Bowie, Texas (City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### 1. Financial Reporting Model

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “Reporting Model” statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

**Management’s Discussion and Analysis -** GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of a “management’s discussion and analysis” (MD&A). This analysis is similar to the analysis the private sector provides in their annual reports.

**Government-Wide Financial Statements -** The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City’s governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net position and statement of activities. The City’s statement of net position includes noncurrent assets and liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statement of activities reflects depreciation expenses on the City’s capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared governmental fund financial statements which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the City’s General Fund, the City’s major governmental fund, is similar to that presented in the City’s financial statements, although the format of financial statements has been modified by GASB Statement No. 34.

**Statement of Net Position -** The statement of net position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide statement of net position and report depreciation expense - the cost of “using up” capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories, 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

# CITY OF BOWIE, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

### 2. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an Amendment of GASB Statement No. 14, include whether:

- the organization is legally separate
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

Blended component units, although legally separate entities, are in substance, part of the City's operations and data from these units is combined with data presented by the City. Discretely presented component units, on the other hand, are reported in separate columns in the financial statements to emphasize they are legally separate from the City. Each blended and discretely presented component unit has a September 30 year end.

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 39 requires inclusion of such an organization as a component unit when: 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; 2) the City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) such economic resources are significant to the City.

#### Discretely Presented Component Units

The Bowie Economic Development Corporation is a non-profit corporation formed in May 1997 for the purpose of increasing employment opportunities, primarily through assisting qualifying enterprises with funds provided by a portion of the local sales tax. Assistance may be in the form of incentive grants, loans or leases which call for discounted rates or rebates for job development. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4A and utilizes the modified accrual basis of accounting. The Bowie Economic Development Corporation is considered to be a part of the City's financial reporting entity because the City Council appoints its Board of Directors, approves its budgets, and exercises final authority over its operations.

The Bowie 4B Sales Tax Corporation is a non-profit corporation formed in May 1997 for the purpose of increasing employment opportunities and for public improvement projects such as parks, auditoriums, learning centers, open space improvements, athletic and exhibition facilities, and the related maintenance and operating costs of such projects. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4B and utilizes

# CITY OF BOWIE, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

the modified accrual basis of accounting. The Bowie 4B Sales Tax Corporation is also considered to be a part of the City's financial reporting entity because the City Council appoints its Board of Directors, approves its budgets, and exercise final authority over its operations.

### 3. Basis of Presentation, Basis of Accounting

#### a. Basis of Presentation

**Government-Wide Statements:** The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds. The City has no nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The general fund is the only major governmental fund. This is the City's primary operating fund. It accounts for all financial resources of the City.

The Utility fund is the only major enterprise fund. This fund accounts for electrical, water, and sewer utility services to residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

#### b. Measurement Focus, Basis of Accounting

**Government-wide and Proprietary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants,

# CITY OF BOWIE, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Assigned fund balance indicates the intent of the City to use resources for a specific purpose. The City Council is authorized to assign amounts for specific purposes. When the City incurs an expenditure or expense for which both assigned and unassigned resources may be used, it is the City's policy to use assigned resources first, then unassigned resources.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen to apply future FASB standards.

#### 4. Financial Statement Amounts

##### a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

##### b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

# CITY OF BOWIE, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

At September 30, 2021, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$ 58,821
Allowance for uncollectible taxes	<u>(16,080)</u>
Net property taxes receivable	<u>\$ 42,741</u>

### c. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid obscuring significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

Accounts receivable includes fines and fees assessed by court action in the municipal court and for fees for ambulance services. An allowance for uncollectible accounts has been set up for the fees based on a review of historical payment information. The municipal court receivables balance of \$288,550 has an established allowance of \$129,847 at September 30, 2021. The ambulance receivables balance of \$606,455 has an established allowance of \$394,196 at September 30, 2021.

There are significant receivables for delinquent property taxes, ambulance fees, and municipal court fees that are not scheduled for collection within one year. Of the outstanding receivables for property taxes, ambulance fees, and municipal court fees at September 30, 2021, it is expected that the City will collect approximately \$25,000 during the year ending September 30, 2021. This is similar to the collections for the year ending September 30, 2021.

### d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. Expenditures over \$1,000 are capitalized, while the cost of normal maintenance and repairs that add no value to or materially extend the lives of the asset are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50
Improvements	5-40
Reservoirs	50
Machinery and equipment	5-20
Infrastructure	20-50

### e. Inter-fund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses.

## CITY OF BOWIE, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

#### f. 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.

#### g. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense 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.

#### h. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates.

### B. Compliance and Accountability

#### 1. Finance-Related Legal and Contractual Provisions

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

The City does not have violations of finance-related legal and contractual provisions.

#### 2. Deficit Fund Balance or Fund Net Position of Individual Funds

The City does not have any funds with a deficit fund balance or deficit fund net position.

### C. Deposits and Investments

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

# CITY OF BOWIE, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

### Cash Deposits:

At September 30, 2021, the balance of the City's cash deposits was \$5,121,713. The City's cash deposits at September 30, 2021 and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

At September 30, 2021, the component units' cash deposits balances were \$710,222 for BEDC and \$41,201 for 4B. The component units' cash deposits at September 30, 2021 and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name, which also covers the component unit.

### Investments:

The City is required by Government Code Chapter 2256, the Public Funds Investment Act (Act), to adopt, implement, and publicize an investment policy. That policy must be written to; primarily emphasize safety of principal and liquidity; address investment diversification, yield, maturity, and the quality and capability of investment management; include a list of the types of authorized investments in which the investing entity's funds may be invested; and set the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act.

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

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

<u>Investment Pool</u>	<u>Weighted Maturity (Months)</u>	<u>Primary Government Fair Value</u>	<u>Component Units</u>	
			<u>Economic Development Corporation Fair Value</u>	<u>4B Sales Tax Corporation Fair Value</u>
TexPool	1	\$ 2,850,366	\$ 1,106,784	\$ 1,940,353
TexStar	1	944,950	-	-
Certificates of deposit	4.90 / 6.17 / 6.20	<u>1,348,575</u>	<u>250,361</u>	<u>250,361</u>
Total investments		<u>\$ 5,143,891</u>	<u>\$ 1,357,145</u>	<u>\$ 2,190,714</u>

## **CITY OF BOWIE, TEXAS**

### *NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021*

#### Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the

pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

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

c. Concentrations of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

At September 30, 2021, the component units were not exposed to any of the above risks.

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report non-participating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.



# CITY OF BOWIE, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

### Restricted Assets:

Restricted assets in the Governmental fund consist of cash and cash equivalents held for specific purposes in accordance with bond ordinances or other legal restrictions and are comprised of the following:

	General Fund	Utility Fund	Bowie Economic Development Corporation
Police	\$ 23,754	\$ -	\$ -
Community Center	25,173	-	-
Municipal Court	30,928	-	-
Ambulance	42,027	-	-
Community Projects	192,366	-	-
Community Events	7,229	-	-
Capital Projects	192,849	9,348,188	600,000
Pandemic Response	111,263	-	-
American Rescue Plan Act	633,589	-	-
Fire	26,504	-	-
Other	15,627	-	-
	<u>\$ 1,301,309</u>	<u>\$ 9,348,188</u>	<u>\$ 600,000</u>

### Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board comprised of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

**CITY OF BOWIE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

D. Capital Assets

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

Primary government

Governmental activities:	Beginning Balances	Increases	Decreases and Reclassifications	Ending Balances
Capital assets not being depreciated:				
Land	\$ 612,189	\$ -	\$ -	\$ 612,189
Construction in progress	144,554	211,107	(355,661)	-
Total capital assets not being depreciated	<u>756,743</u>	<u>211,107</u>	<u>(355,661)</u>	<u>612,189</u>
Capital assets being depreciated:				
Buildings	4,628,088	-	355,661	4,983,749
Improvements	3,140,877	64,250	-	3,205,127
Reservoirs	6,024,460	-	-	6,024,460
Machinery and equipment	4,923,778	84,490	(162,887)	4,845,381
Capital lease equipment	450,161	-	-	450,161
Infrastructure	3,497,385	75,242	-	3,572,627
Total capital assets being depreciated	<u>22,664,749</u>	<u>223,982</u>	<u>192,774</u>	<u>23,081,505</u>
Less accumulated depreciation for:				
Buildings	1,305,521	103,700	-	1,409,221
Improvements	2,084,059	117,698	-	2,201,757
Reservoirs	4,227,162	120,489	-	4,347,651
Machinery and equipment	3,536,969	339,645	(149,469)	3,727,145
Capital lease equipment	300,107	-	-	300,107
Infrastructure	1,541,237	157,669	-	1,698,906
Total accumulated depreciation	<u>12,995,055</u>	<u>839,201</u>	<u>(149,469)</u>	<u>13,684,787</u>
Total capital assets being depreciated, net	<u>9,669,694</u>	<u>(615,219)</u>	<u>342,243</u>	<u>9,396,718</u>
Governmental activities capital assets, net	<u>\$10,426,437</u>	<u>\$ (404,112)</u>	<u>\$ (13,418)</u>	<u>\$ 10,008,907</u>
Business-type activities:	Beginning Balances	Increases	Decreases and Reclassifications	Ending Balances
Capital assets not being depreciated:				
Land	\$ 267,499	\$ -	\$ -	\$ 267,499
Construction in progress	565,651	187,410	-	753,061
Total capital assets not being depreciated	<u>833,150</u>	<u>187,410</u>	<u>-</u>	<u>1,020,560</u>
Capital assets being depreciated:				
Buildings	127,628	-	-	127,628
Improvements	28,985,253	323,675	-	29,308,928
Reservoirs	940,429	-	-	940,429
Machinery and equipment	2,253,265	15,981	(126,214)	2,143,032
Capital lease equipment	-	-	-	-
Total capital assets being depreciated	<u>32,306,575</u>	<u>339,656</u>	<u>(126,214)</u>	<u>32,520,017</u>
Less accumulated depreciation for:				
Buildings	71,695	3,389	-	75,084
Improvements	13,949,746	646,438	-	14,596,184
Reservoirs	940,429	-	-	940,429
Machinery and equipment	1,353,157	210,460	(104,432)	1,459,185
Capital lease equipment	-	-	-	-
Total accumulated depreciation	<u>16,315,027</u>	<u>860,287</u>	<u>(104,432)</u>	<u>17,070,882</u>
Total capital assets being depreciated, net	<u>15,991,548</u>	<u>(520,631)</u>	<u>(21,782)</u>	<u>15,449,135</u>
Business-type activities capital assets, net	<u>\$16,824,698</u>	<u>\$ (333,221)</u>	<u>\$ (21,782)</u>	<u>\$ 16,469,695</u>

**CITY OF BOWIE, TEXAS**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021*

Depreciation was charged to functions as follows:

Governmental activities:

Administration	\$ 4,915
Finance	61,950
Public safety – police	177,687
Public safety – fire and ambulance	65,506
Municipal court	60,266
Streets	6,802
Airport	7,387
Second Monday	684
Recreation and swimming	198,551
Library	36,472
Parks	67,008
Code enforcement	26,595
Community center	4,486
Community development	404
Reservoirs	<u>120,488</u>
Total	<u><u>\$ 839,201</u></u>

Business-type activities:

Water	\$ 424,243
Sewer	205,649
Electric	<u>230,395</u>
Total	<u><u>\$ 860,287</u></u>

**CITY OF BOWIE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Discretely presented component units

Activity for the Bowie Economic Development Corporation for the year ended September 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,104,376	\$ -	\$ -	\$ 1,104,376
Total capital assets not being depreciated	1,104,376	-	-	1,104,376
Capital assets being depreciated:				
Buildings	713,468	-	-	713,468
Improvements	1,215,713	12,168	-	1,227,881
Machinery and equipment	5,863	1,050	-	6,913
Total capital assets being depreciated	1,935,044	13,218	-	1,948,262
Less accumulated depreciation for:				
Buildings	239,915	21,901	-	261,816
Improvements	244,230	27,019	-	271,249
Machinery and equipment	3,174	1,118	-	4,292
Total accumulated depreciation	487,319	50,038	-	537,357
Total capital assets being depreciated, net	1,447,725	(36,820)	-	1,410,905
Corporation capital assets, net	<u>\$ 2,552,101</u>	<u>\$ (36,820)</u>	<u>\$ -</u>	<u>\$ 2,515,281</u>

Activity for the Bowie 4B Sales Tax Corporation for the year ended September 30, 2021 was as follows:

	Ending Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 95,500	\$ -	\$ -	\$ 95,500
Total capital assets not being depreciated	95,500	-	-	95,500
Capital assets being depreciated:				
Buildings	6,809,649	-	-	6,809,649
Improvements	57,906	24,270	-	82,176
Total capital assets being depreciated	6,867,555	24,270	-	6,891,825
Less accumulated depreciation for:				
Buildings	1,403,593	136,193	-	1,539,786
Improvements	33,125	3,026	-	36,151
Total accumulated depreciation	1,436,718	139,219	-	1,575,937
Total capital assets being depreciated, net	5,430,837	(114,949)	-	5,315,888
Corporation capital assets, net	<u>\$ 5,526,337</u>	<u>\$ (114,949)</u>	<u>\$ -</u>	<u>\$ 5,411,388</u>

# CITY OF BOWIE, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

### E. Inter-fund Balances and Activity

#### 1. Due To and From Other Funds

The General Fund owed the Utility Fund \$8,815 at September 30, 2021 for payroll-related items.

#### 2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2021, consisted of transfers totaling \$1,820,600 from the Enterprise Fund to the General Fund for operations.

### F. Long-Term Liabilities

#### 1. Long-Term Liability Activity

Long-term liabilities include debt and other long-term payables. Changes in long-term liabilities for the year ended September 30, 2021, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Capital leases payable	\$ 196,255	\$ -	\$ 46,875	\$ 149,380	\$ 48,305
Notes payable	722,558	-	170,925	551,633	175,508
General obligation refunding bonds	1,330,000	-	122,000	1,208,000	124,000
Compensated absences	130,542	6,428	-	136,970	-
Total governmental activities	<u>\$2,379,355</u>	<u>\$ 6,428</u>	<u>\$ 339,800</u>	<u>\$ 2,045,983</u>	<u>\$ 347,813</u>
<u>Business-type activities:</u>					
Notes payable	\$1,277,288	\$ -	\$ 290,626	\$ 986,662	\$ 298,575
Revenue bonds payable	2,755,000	9,775,000	271,000	12,259,000	272,000
Compensated absences	27,449	492	-	27,941	-
Total business-type activities	<u>\$4,059,737</u>	<u>\$ 9,775,492</u>	<u>\$ 561,626</u>	<u>\$13,273,603</u>	<u>\$ 570,575</u>
<u>Component Units:</u>					
<u>Bowie Economic Development Corporation:</u>					
Note payable	<u>\$ 1,144,493</u>	<u>\$ -</u>	<u>\$ 65,871</u>	<u>\$ 1,078,622</u>	<u>\$ 68,709</u>
<u>Bowie 4B Sales Tax Corporation:</u>					
Revenue bonds payable	<u>\$1,882,112</u>	<u>\$ -</u>	<u>\$ 82,090</u>	<u>\$ 1,800,022</u>	<u>\$ 85,254</u>

#### 2. Bonds Payable

In December 2015, the City issued \$4,100,000 in General Obligation Refunding Bonds, Series 2015 to advance refund Series 2009 Utility System Revenue Refunding Bonds. Interest rate is at 3.75% with a maturity date of August 15, 2030 and annual series payments ranging from \$267,000 to \$280,000.

In 2017, the Bowie 4B Sales Tax Corporation issued Sales Tax Revenue Bonds, Series 2017 in the amount of \$2,129,400. Interest is at 3.80%. The final maturity date is in 2037 and the annual series principal payments range from \$74,285 to \$144,767.

## CITY OF BOWIE, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

In August 2020, the City issued \$1,330,000 in General Obligation Refunding Bonds, Series 2015 to advance refund Combination Tax and Revenue Certificates of Obligation Bonds, Series 2010. Interest rate is at 1.90% with a maturity date of August 15, 2030 and annual series payments ranging from \$122,000 to \$144,000.

In May 2021, the City issued \$9,775,000 in Combination Tax and Surplus Revenue Certifications of Obligation, Series 2021 to the Texas Water Development Board. The bond issuance will fund a major sewer system upgrade. Interest rate ranges from 1.1% to 2.56% with a maturity date of February 15, 2051 and annual series payments ranging from \$270,000 to \$435,000.

In 2021, interest expense for bonds was \$25,130 in the governmental activities and \$103,313 in the business-type activities.

#### 3. Capital Leases

The Public Property Finance Act gives the City the authority to enter into capital leases for the acquisition of personal property. In January 2013, the City entered into a capital lease to purchase a fire truck. The lease bears interest at 3.05% and matures in fiscal year 2024. Principal repayment requirements due after September 30, 2021, are recorded as General Long-Term Debt in the Government-wide statements.

The commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of September 30, 2021 as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2022	\$ 52,861
2023	52,861
2024	<u>52,861</u>
Total minimum lease payments	158,583
Less amount representing interest	<u>(9,203)</u>
Present value of minimum lease payments	<u><u>\$ 149,380</u></u>

In 2021, interest expense for capital leases was \$5,986 in the governmental activities, which is included in direct expenses for the public safety - fire and ambulance department. The carrying value of fixed assets held under capital lease was \$105,038 at September 30, 2021.

#### 4. Note Payable

In December 2013, the Bowie Economic Development Corporation entered into an agreement for a note payable in the amount of \$1,526,250 to fund the public improvements for the Corporation's industrial park. The note bears interest at 4.24% with fixed quarterly payments of \$28,343. The final maturity date is December 15, 2033.

In December 2018, the City entered into Public Property Finance Act Contract #8496, a note payable in the amount of \$1,088,000 to fund equipment purchases for both the General Fund and Utility Fund. The note bears interest at 2.95% with annual payments of \$231,471. The final maturity date is February 15, 2023.

# CITY OF BOWIE, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

In February 2019, the City entered into a Limited Tax Note, Series 2019, a note payable in the amount of \$998,000 to fund capital purchases and improvements for both the General Fund and Utility Fund. The note bears interest at 3.17% with annual payments ranging from \$158,473 to \$159,473. The final maturity date is February 15, 2023.

In November 2019, the City entered into Public Property Finance Act Contract #8877, a note payable in the amount of \$597,475 to fund equipment purchases for both the General Fund and Utility Fund. The note bears interest at 1.97% with annual payments of \$124,780. The final maturity date is February 15, 2024.

### 5. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2021, are as follows:

Year Ending September 30,	Governmental Activities				
	Bonds		Notes Payable		Total
	Principal	Interest	Principal	Interest	
2022	\$ 124,000	\$ 22,952	\$ 175,508	\$ 14,613	\$ 337,073
2023	127,000	20,596	180,180	9,802	337,578
2024	129,000	18,183	98,018	4,855	250,056
2025	132,000	15,732	48,327	2,338	198,397
2026	134,000	13,224	49,600	786	197,610
2026-2030	562,000	26,923	-	-	588,923
Totals	<u>\$ 1,208,000</u>	<u>\$ 117,610</u>	<u>\$ 551,633</u>	<u>\$ 32,394</u>	<u>\$ 1,909,637</u>

Year Ending September 30,	Business-type Activities				
	Bonds		Notes Payable		Total
	Principal	Interest	Principal	Interest	
2022	\$ 272,000	\$ 303,718	\$ 298,575	\$ 26,668	\$ 900,961
2023	543,000	265,904	306,664	18,279	1,133,847
2024	549,000	252,669	171,351	9,649	982,669
2025	555,000	239,341	103,672	5,016	903,029
2026	556,000	225,949	106,400	1,686	890,035
2027-2031	2,564,000	926,500	-	-	3,490,500
Thereafter	7,220,000	1,828,833	-	-	9,048,833
Totals	<u>\$12,259,000</u>	<u>\$4,042,914</u>	<u>\$ 986,662</u>	<u>\$ 61,298</u>	<u>\$17,349,874</u>

**CITY OF BOWIE, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Year Ending September 30,	Bowie Economic Development Corporation		
	Note Payable		
	Principal	Interest	Total
2022	\$ 68,709	\$ 44,661	\$ 113,370
2023	71,669	41,701	113,370
2024	74,756	38,614	113,370
2025	77,977	35,394	113,371
2026	81,336	32,034	113,370
2027-2031	462,354	104,496	566,850
2032-2035	241,820	12,795	254,615
Totals	<u>\$ 1,078,622</u>	<u>\$ 309,695</u>	<u>\$1,388,317</u>

Year Ending September 30,	Bowie 4B Sales Tax Corporation		
	Refunding Bonds		
	Principal	Interest	Total
2022	\$ 85,254	\$ 67,232	\$ 152,486
2023	88,540	63,946	152,486
2024	91,953	60,533	152,486
2025	95,497	56,989	152,486
2026	99,178	53,308	152,486
2027-2031	556,268	206,163	762,431
2032-2035	672,063	90,367	762,430
2036	111,269	2,139	113,408
Totals	<u>\$ 1,800,022</u>	<u>\$ 600,677</u>	<u>\$2,400,699</u>

**G. Risk Management**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City maintains general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the state as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**H. Pension Plan**

**1. Plan Description**

The City of Bowie participates as one of 895 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-



# CITY OF BOWIE, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

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](http://www.tMrs.com).

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

### 2. Benefits Provided

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

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

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

	<u>Plan Year 2019</u>	<u>Plan Year 2020</u>
Employee deposit rate	5%	5%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating	100% Repeating
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

#### *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	72
Inactive employees entitled to but not yet receiving benefits	71
Active employees	<u>84</u>
Total	<u>227</u>

### 3. Contributions

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

## CITY OF BOWIE, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

Employees for the City of Bowie were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Bowie were 9.48% and 9.57% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$378,624, and were equal to the required contribution.

#### 4. Net Pension Liability

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

##### *Actuarial assumptions:*

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

Inflation	2.5% per year
Overall payroll growth	2.75% 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 actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation 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 2020 are summarized in the following table:

**CITY OF BOWIE, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

*Discount Rate*

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

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) – (b)</b>
Balance at 12/31/2019	<u>\$ 17,182,420</u>	<u>\$ 16,496,782</u>	<u>\$ 685,638</u>
Changes for the year:			
Service cost	474,527	-	474,527
Interest	1,153,611	-	1,153,611
Change of benefit terms	-	-	-
Difference between expected and actual experience	(2,128)	-	(2,128)
Changes of assumptions	-	-	-
Contributions – employer	-	372,231	(372,231)
Contributions – employee	-	194,478	(194,478)
Net investment income	-	1,250,982	(1,250,982)
Benefit payments, including refunds of employee contributions	(658,301)	(658,301)	-
Administrative expense	-	(8,103)	8,103
Other changes	-	(316)	316
Net changes	<u>967,709</u>	<u>1,150,971</u>	<u>(183,262)</u>
Balance at 12/31/2020	<u><u>\$ 18,150,129</u></u>	<u><u>\$ 17,647,753</u></u>	<u><u>\$ 502,376</u></u>

**CITY OF BOWIE, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

*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:

	<b>1% Decrease In Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase In Discount Rate (7.75%)</b>
City’s net pension liability	<u>\$ 3,077,383</u>	<u>\$ 502,376</u>	<u>\$ (1,598,300)</u>

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

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

For the year ended September 30, 2021, the City recognized pension income of \$86,923.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ -	\$ 125,874
Changes in actuarial assumptions	2,752	-
Difference between projected and actual investment earnings	-	461,706
Contributions subsequent to the measurement date	<u>275,046</u>	<u>-</u>
Total	<u>\$ 277,798</u>	<u>\$ 587,580</u>

\$275,046 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2021	\$ (284,414)
2022	4,208
2023	(277,133)
2024	<u>(27,489)</u>
Total	<u>\$ (584,828)</u>

# CITY OF BOWIE, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

### I. Postemployment Benefits Other Than Pensions (OPEB)

#### 1. Plan Description

The City of Bowie participates in a cost sharing multiple-employer defined benefit group life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to participate in SDBF, and the City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

#### 2. Benefits Provided

The SDBF provides group-term life insurance coverage to both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500.

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

Inactive employees currently receiving benefits	48
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>84</u>
Total	<u>144</u>

#### 3. Total OPEB Liability

The City's total OPEB liability 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, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50%, including inflation
Discount rate	2.00%
Retirees' share of benefit-related costs	\$0

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates for service retirees are based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a full generational basis with scale UMP.

Mortality rates for disabled retirees are based on the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3-year set-forward for females. In

# CITY OF BOWIE, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 full generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

### *Changes in the Total OPEB Liability*

Total OPEB Liability - beginning of year	\$ 326,918
Changes for the year:	
Service Cost	13,613
Interest on Total OPEB Liability	9,140
Changes of benefit terms	-
Differences between expected and actual experience	(10,384)
Changes in assumptions or other inputs	51,048
Benefit payments	<u>(2,723)</u>
Net changes	<u>60,694</u>
Total OPEB Liability – end of year	<u>\$ 387,612</u>
Total OPEB as a percent of covered payroll	9.97%

### *Sensitivity of the Total OPEB Liability to changes in the discount rate*

The following presents the total OPEB liability of the City, 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 percent) or 1-percentage-point higher (3.00% percent) than the current discount rate:

	<b>1% Decrease In Discount Rate (1.00%)</b>	<b>Discount Rate (2.00%)</b>	<b>1% Increase In Discount Rate (3.00%)</b>
City's total OPEB liability	<u>\$ 474,571</u>	<u>\$ 387,612</u>	<u>\$ 321,690</u>

#### 4. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$37,200.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 16,295
Changes in actuarial assumptions	71,629	-
Contributions subsequent to the measurement date	<u>9,865</u>	<u>-</u>
Total	<u>\$ 81,494</u>	<u>\$ 16,295</u>

**CITY OF BOWIE, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

\$9,865 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 net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31,	
2021	\$ 14,447
2022	12,587
2023	13,604
2024	12,177
2025	2,519
Thereafter	<u>-</u>
Total	<u>\$ 55,334</u>

J. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

The City is a party to various legal actions normally associated with local governments, the aggregate effect of which, in the City's and legal counsel's opinion, would not be material to the financial statements of the City.

3. Operating Lease

The City entered into twenty-one lease agreements for vehicles throughout the 2020 year. The lease term for each vehicle runs for 48 or 60 months, with current agreements ending between January 2024 and July 2025. Payments range from \$461 to \$990 monthly. Lease expense related to these agreements was \$167,547 for the year ended September 30, 2021.

The future minimum lease payments applicable to the operating leases are as follows:

**CITY OF BOWIE, TEXAS**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021*

<u>Year Ending September 30,</u>	
2022	\$ 161,185
2023	161,185
2024	125,027
2025	<u>53,094</u>
Total future minimum lease payments	<u>\$ 500,491</u>

K. Pandemic

The COVID-19 outbreak in the United States has created economic uncertainties that may impact future operations. The extent of the impact on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on citizens, employees, and vendors, all of which are uncertain and cannot be predicted. At this time, the extent to which COVID-19 may impact the City's financial condition or results of operations is unknown.



### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

## CITY OF BOWIE, TEXAS

## GENERAL FUND

## BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenue:				
Ad valorem taxes	\$ 1,802,902	\$ 1,802,902	\$ 1,865,854	\$ 62,952
Sales taxes	974,149	974,149	1,124,222	150,073
Other taxes	691,443	691,443	668,371	(23,072)
Charges for services	2,198,250	2,198,250	2,326,386	128,136
Fines and forfeitures	11,650	11,650	22,761	11,111
Interest income	3,360	3,360	1,132	(2,228)
Intergovernmental revenue	82,000	82,000	409,604	327,604
Miscellaneous	105,500	105,500	209,201	103,701
Total revenues	<u>5,869,254</u>	<u>5,869,254</u>	<u>6,627,531</u>	<u>758,277</u>
Expenditures:				
Administration	463,199	555,199	698,798	(143,599)
Finance	628,103	628,103	607,057	21,046
Public safety - police	1,802,793	1,818,393	1,780,055	38,338
Public safety - fire and ambulance	1,403,330	1,495,512	1,478,803	16,709
Municipal court	105,465	105,465	98,900	6,565
Sanitation	906,000	937,000	1,019,176	(82,176)
Streets	599,798	599,798	556,697	43,101
Airport	266,284	313,886	320,220	(6,334)
Second Monday	66,401	66,401	71,412	(5,011)
Recreation and swimming	75,400	75,400	68,955	6,445
Library	227,433	264,615	250,683	13,932
Senior citizens	7,000	7,000	6,461	539
Parks	495,794	495,794	496,600	(806)
Hotel and motel	60,000	60,000	46,832	13,168
Code enforcement	137,670	137,670	142,259	(4,589)
Community development	120,068	123,475	119,556	3,919
Community center	309,285	314,285	305,511	8,774
Total expenditures	<u>7,674,023</u>	<u>7,997,996</u>	<u>8,067,975</u>	<u>(69,979)</u>
Deficiency of revenues under expenditures	(1,804,769)	(2,128,742)	(1,440,444)	688,298
Other financing sources:				
Transfers	1,820,601	1,820,601	1,820,600	(1)
Proceeds from the issuance of debt	-	-	-	-
Proceeds from sale of assets	-	-	900	900
Total other financing sources	<u>1,820,601</u>	<u>1,820,601</u>	<u>1,821,500</u>	<u>899</u>
Net change in fund balance	<u>\$ 15,832</u>	<u>\$ (308,141)</u>	<u>\$ 381,056</u>	<u>\$ 689,197</u>

## **CITY OF BOWIE, TEXAS**

### *NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021*

#### **Budget and Budgetary Accounting**

The City Council adopts an annual budget for the general, solid waste, storm drainage, water, sewer, and waste water funds. The general fund budget is legally adopted. The annual budgets for the general, solid waste, and storm drainage funds are adopted on a modified accrual basis. The budget for the water and waste water fund is adopted under a basis consistent with GAAP, except that amortization and depreciation are not considered (working capital basis).

The following procedures are followed in establishing the budgetary data reflected in the Basic Financial Statements:

Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can only be amended by approval of a majority of the members of City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of City Council and are not made after fiscal year end. All budget appropriations lapse at year end.

#### **Budget Amendments**

There was one amendment to the budget during the year ended September 30, 2021.

**CITY OF BOWIE, TEXAS**

**EXHIBIT B-2**

REQUIRED SUPPLEMENTARY INFORMATION

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

DECEMBER 31, 2020

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total Pension Liability</b>							
Service cost	\$ 431,179	\$ 415,055	\$ 433,761	\$ 417,495	\$ 418,988	\$ 451,666	\$ 474,527
Interest (on the Total Pension Liability)	956,376	974,313	988,770	1,044,268	1,086,065	1,097,600	1,153,611
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(423,315)	(2,663)	72,157	(139,130)	(655,382)	(98,050)	(2,128)
Change of assumptions	-	81,009	-	-	-	6,656	-
Benefit payments, including refunds of employee contributions	(595,106)	(804,773)	(689,981)	(638,767)	(769,546)	(620,709)	(658,301)
<b>Net Change in Total Pension Liability</b>	369,134	662,941	804,707	683,866	80,125	837,163	967,709
<b>Total Pension Liability - Beginning</b>	<u>13,744,484</u>	<u>14,113,618</u>	<u>14,776,559</u>	<u>15,581,266</u>	<u>16,265,132</u>	<u>16,345,257</u>	<u>17,182,420</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 14,113,618</u>	<u>\$ 14,776,559</u>	<u>\$ 15,581,266</u>	<u>\$ 16,265,132</u>	<u>\$ 16,345,257</u>	<u>\$ 17,182,420</u>	<u>\$ 18,150,129</u>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 404,050	\$ 371,281	\$ 344,831	\$ 358,347	\$ 367,264	\$ 398,395	\$ 372,231
Contributions - Employee	186,887	180,146	181,490	173,956	173,566	187,569	194,478
Net investment income	696,546	18,977	852,506	1,842,123	(449,787)	2,214,231	1,250,982
Benefit payments, including refunds of employee contributions	(595,106)	(804,773)	(689,981)	(638,767)	(769,546)	(620,709)	(658,301)
Administrative expenses	(7,272)	(11,558)	(9,627)	(9,547)	(8,694)	(12,518)	(8,103)
Other	(598)	(572)	(519)	(484)	(454)	(377)	(316)
<b>Net Change in Plan Fiduciary Net Position</b>	684,507	(246,499)	678,700	1,725,628	(687,651)	2,166,591	1,150,971
<b>Plan Fiduciary Net Position - Beginning</b>	<u>12,175,506</u>	<u>12,860,013</u>	<u>12,613,514</u>	<u>13,292,214</u>	<u>15,017,842</u>	<u>14,330,191</u>	<u>16,496,782</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 12,860,013</u>	<u>\$ 12,613,514</u>	<u>\$ 13,292,214</u>	<u>\$ 15,017,842</u>	<u>\$ 14,330,191</u>	<u>\$ 16,496,782</u>	<u>\$ 17,647,753</u>
<b>Net Pension (Asset) Liability - Ending (a) - (b)</b>	\$ 1,253,605	\$ 2,163,045	\$ 2,289,052	\$ 1,247,290	\$ 2,015,066	\$ 685,638	\$ 502,376
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	91.12%	85.36%	85.31%	92.33%	87.67%	96.01%	97.23%
<b>Covered Employee Payroll</b>	3,737,741	3,602,910	3,629,801	3,479,122	3,471,316	3,751,378	3,889,562
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	33.54%	60.04%	63.06%	35.85%	58.05%	18.28%	12.92%

**CITY OF BOWIE, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF CONTRIBUTIONS**  
**SEPTEMBER 30, 2021**

**EXHIBIT B-3**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 267,973	\$ 352,939	\$ 355,719	\$ 359,399	\$ 393,824	\$ 379,055	\$ 378,624
Contribution in relation to the actuarially determined contribution	<u>267,973</u>	<u>352,939</u>	<u>355,719</u>	<u>359,399</u>	<u>393,824</u>	<u>379,055</u>	<u>378,624</u>
Contribution excess (deficiency)	-	-	-	-	-	-	-
Covered employee payroll	\$ 3,737,741	\$ 3,602,910	\$ 3,629,801	\$ 3,479,122	\$ 3,471,316	\$ 3,751,378	\$ 3,889,562
Contributions as a percentage of covered employee payroll	7.17%	9.80%	9.80%	10.33%	11.35%	10.10%	9.73%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

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

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

Actuarial Cost Method Entry Age Normal  
Amortization Method Level Percentage of Payroll, Closed  
Remaining Amortization Period 24 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 BOWIE, TEXAS**

**EXHIBIT B-4**

*TEXAS MUNICIPAL RETIREMENT SYSTEM*

*SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS*

*DECEMBER 31, 2020*

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 7,306	\$ 8,678	\$ 10,129	\$ 13,613
Interest	9,250	9,325	9,703	9,140
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(17,920)	532	(10,384)
Changes of assumptions	21,852	(18,625)	51,391	51,048
Benefit payments	<u>(2,087)</u>	<u>(2,083)</u>	<u>(2,626)</u>	<u>(2,723)</u>
<b>Net Change in Total OPEB Liability</b>	36,321	(20,625)	69,129	60,694
<b>Total OPEB Liability - Beginning</b>	<u>242,093</u>	<u>278,414</u>	<u>257,789</u>	<u>326,918</u>
<b>Total OPEB Liability - Ending</b>	<u><u>\$ 278,414</u></u>	<u><u>\$ 257,789</u></u>	<u><u>\$ 326,918</u></u>	<u><u>\$ 387,612</u></u>
<b>Covered Employee Payroll</b>	3,479,122	3,471,316	3,751,378	3,889,562
<b>Total OPEB Liability as a Percentage of Covered Employee Payroll</b>	8.00%	7.43%	8.71%	9.97%

**NOTES TO SCHEDULE:**

*Changes of assumptions*

Changes of assumptions and other inputs reflect the change in the municipal bond rate index, which is used as a basis for the discount rate.

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

*Internal Control and Compliance Section*



**MWH GROUP**  
CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS

## Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

City Council  
City of Bowie, Texas  
304 Lindsey Street  
Bowie, Texas 76230

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bowie, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of Bowie, Texas' basic financial statements and have issued our report thereon dated March 18, 2022.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness. See Finding 2021-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings to be significant deficiencies. See Finding 2021-2.



## Compliance and Other Matters

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

## Purpose of this Report

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

Respectfully submitted,



MWH GROUP, P.C.

Wichita Falls, Texas  
March 18, 2022

**CITY OF BOWIE, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**A. Summary of Auditor’s Results - Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	<u>  X  </u> Yes <u>    </u> No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u>  X  </u> Yes <u>    </u> No
Noncompliance material to financial statements noted?	<u>    </u> Yes <u>  X  </u> No

**B. Financial Statement Findings**

*Finding 2021-1: Material Weakness over Financial Reporting - Material Audit Adjustments*

**Condition and Criteria:** The City’s internal control over financial reporting should ensure all financial statement amounts are adjusted to be in accordance with generally accepted accounting principles (GAAP). During the audit, we proposed several audit adjustments that were material to the City’s financial statements.

**Cause:** The City failed to identify all the adjustments needed during the year-end close process to adjust the general ledger balances to be in accordance with GAAP.

**Effect:** Material audit adjustments were required for the financial statement amounts to be in accordance with GAAP.

**Recommendations:** We recommend that the City perform all necessary reconciliations of general ledger balances to supporting records during the year and especially during the year-end close process to ensure that all balances are adjusted as necessary to be in agreement with the supporting records and recorded in accordance with GAAP. Additionally, we recommend that the City analyze unusual transactions during the year to determine if they are properly recorded in the general ledger.

*Finding 2021-2: Significant Deficiency over Financial Reporting - Segregation of Duties*

**Condition and Criteria:** Internal controls are not optimal due to the lack of segregation of duties.

**Cause:** The size of the City’s accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough in number to provide optimum segregation of duties.

**Effect:** There is a possibility that misstatements would not be detected or prevented by management or employees in a timely manner while performing their normal functions.

**Recommendations:** We recommend that the City always be aware of their deficiencies in internal control resulting from their small number of business office and administrative staff. We recommend that the City be open to opportunities to improve their internal controls as the opportunities present themselves.

*Response:* The City is aware of the limitations it has with regard to internal control because of the limited number of office staff. As a result, the City will always be aware of its need to improve internal controls when the opportunity presents itself, and will remain committed to the involvement of the City Council in oversight and review of City functions and financial affairs.