

CITY OF DIMMITT, TEXAS

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT

SEPTEMBER 30, 2022

CITY OF DIMMITT, TEXAS

SEPTEMBER 30, 2022

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FINANCIAL SECTION

Independent Auditors' Report

To the City Council
City of Dimmitt, Texas

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Dimmitt, Texas as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

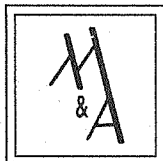
Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Dimmitt, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



McGinty & Associates, LLP
Certified Public Accountants

205 W. 4th Street, Suite 201
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Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Dimmitt, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Dimmitt, Texas' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions on pages 32 through 34 be presented to supplement the basic financial statements. Such information is the responsibility of management

and, 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 the 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.

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

McBinty + Associate LLP

Hereford, Texas
September 26, 2023

CITY OF DIMMITT, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	<u>Primary Government</u>			<u>Component Unit Dimmitt EDC</u>
	<u>Govern- Mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	
ASSETS				
Cash.....	\$ 2,596,126	\$ 2,633,433	\$ 5,229,559	\$ 95,663
Investments.....	233,463	233,273	466,736	-
Receivables (Net):				
Property Taxes	36,883	-	36,883	-
Accounts	22,774	150,404	173,178	-
Internal Balances.....	(506,178)	506,178	-	-
Restricted Net Pension Asset	635,918	594,573	1,230,491	-
Capital Assets:				
Non-Depreciable	617,748	931,966	1,549,714	-
Depreciable, Net	1,603,646	6,844,187	8,447,833	-
Total Assets	<u>5,240,380</u>	<u>11,894,014</u>	<u>17,134,394</u>	<u>95,663</u>
DEFERRED OUTFLOWS OF RESOURCES				
Outflows Related to Pensions	<u>16,990</u>	<u>15,885</u>	<u>32,875</u>	<u>-</u>
LIABILITIES				
Accounts Payable.....	77,222	40,464	117,686	-
Accrued Liabilities.....	45,509	60,928	106,437	-
Non-Current Liabilities:				
Due Within One Year:				
Notes Payable	-	-	-	-
Due In More Than One Year:				
Notes Payable	-	-	-	-
Customer Deposits.....	78,092	-	78,092	-
Estimated Liability for Landfill Closure and Postclosure Care Costs...	-	301,838	301,838	-
Total Liabilities	<u>200,823</u>	<u>403,230</u>	<u>604,053</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Inflows Related to Pensions	<u>201,714</u>	<u>188,600</u>	<u>390,314</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	2,221,394	7,776,153	9,997,547	-
Restricted for:				
Pension Plan	451,194	421,858	873,052	-
Police	4,921	-	4,921	-
Security and Technology .	8,555	-	8,555	-
Unrestricted.....	<u>2,168,769</u>	<u>3,120,058</u>	<u>5,288,827</u>	<u>95,663</u>
Total Net Position	<u>\$ 4,854,833</u>	<u>\$11,318,069</u>	<u>\$16,172,902</u>	<u>\$ 95,663</u>

See Accompanying "Notes to Financial Statements"

CITY OF DIMMITT, TEXAS

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

		Program Revenues			
		Charges for	Operating	Capital	Net
	Expenses	Services	Grants and	Grants and	(Expense)
			Contributions	Contributions	Revenue
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
General Government.....	\$ 489,562	\$ -	\$ 509,845	\$ -	\$ 20,283
Public Safety:					
Police	719,968	52,978	1,714	-	(665,276)
Fire	50,433	33,262	-	-	(17,171)
Municipal Court.....	31,356	-	-	-	(31,356)
Streets and Public Works.....	284,677	-	-	-	(284,677)
Public Health.....	101,405	57,811	-	-	(43,594)
Parks and Recreation.....	58,674	-	-	-	(58,674)
Airport.....	18,389	10,920	-	-	(7,469)
Total Governmental					
Activities	<u>1,754,464</u>	<u>154,971</u>	<u>511,559</u>	<u>-</u>	<u>(1,087,934)</u>
Business-Type Activities:					
Utility Fund.....	<u>1,690,113</u>	<u>1,771,701</u>	<u>-</u>	<u>-</u>	<u>81,588</u>
Total Business-Type					
Activities	<u>1,690,113</u>	<u>1,771,701</u>	<u>-</u>	<u>-</u>	<u>81,588</u>
Total Primary Government	<u>\$3,444,577</u>	<u>\$1,926,672</u>	<u>\$ 511,559</u>	<u>\$ -</u>	<u>\$ (1,006,346)</u>
Component Unit:					
Dimmitt Economic					
Development Corp.....	\$ 6,876	\$ -	\$ 8,000	\$ -	\$ 1,124
Total Component Units	<u>\$ 6,876</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 1,124</u>

See Accompanying "Notes to Financial Statements"

CITY OF DIMMITT, TEXAS

STATEMENT OF ACTIVITIES (continued)
YEAR ENDED SEPTEMBER 30, 2022

	<u>Primary Government</u>			<u>Component Unit Dimmitt EDC</u>
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	
<u>CHANGE IN NET POSITION:</u>				
Net (Expense) Revenue ...	\$ (1,087,934)	\$ 81,588	\$ (1,006,346)	\$ 1,124
General Revenues:				
Taxes:				
Property Taxes	702,400	-	702,400	-
Sales Taxes	473,542	-	473,542	39,371
Franchise Taxes	238,520	-	238,520	-
Motel Occupancy Taxes ..	6,775	-	6,775	-
Licenses and Permits	6,275	-	6,275	-
Investment Income	17,659	19,722	37,381	-
Insurance Proceeds	10,178	-	10,178	-
Miscellaneous	2,055	-	2,055	-
Lease Income	13,186	10,833	24,019	-
Sale of Assets	17,000	6,800	23,800	-
Pension Income	5,001	129,052	134,053	-
Transfers	150,000	(150,000)	-	-
Total General Revenues and Transfers	<u>1,642,591</u>	<u>16,407</u>	<u>1,658,998</u>	<u>39,371</u>
Change in Net Position	554,657	97,995	652,652	40,495
Net Position - Beginning	<u>4,300,176</u>	<u>11,220,074</u>	<u>15,520,250</u>	<u>55,168</u>
Net Position - Ending	<u>\$4,854,833</u>	<u>\$11,318,069</u>	<u>\$16,172,902</u>	<u>\$ 95,663</u>

See Accompanying "Notes to Financial Statements"

CITY OF DIMMITT, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	Capital Projects Fund	Total
<u>ASSETS</u>			
Cash.....	\$2,596,126	\$ -	\$2,596,126
Investments.....	233,463	-	233,463
Receivables (Net):			
Property Taxes	36,883	-	36,883
Accounts	22,774	-	22,774
Due from Other Funds.....	-	-	-
Total Assets.....	<u>\$2,889,246</u>	<u>\$ -</u>	<u>\$2,889,246</u>
<u>LIABILITIES</u>			
Accounts Payable.....	\$ 77,222	\$ -	\$ 77,222
Accrued Liabilities.....	45,509	-	45,509
Customer Deposits.....	78,092	-	78,092
Due to Other Funds.....	506,178	-	506,178
Total Liabilities	<u>707,001</u>	<u>-</u>	<u>707,001</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Property Tax Revenue....	27,613	-	27,613
Total Deferred Inflows of Resources	<u>27,613</u>	<u>-</u>	<u>27,613</u>
<u>FUND BALANCES</u>			
Restricted for:			
Police	4,921	-	4,921
Security and Technology	8,555	-	8,555
Unassigned.....	2,141,156	-	2,141,156
Total Fund Balances	<u>2,154,632</u>	<u>-</u>	<u>2,154,632</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$2,889,246</u>	<u>\$ -</u>	<u>\$2,889,246</u>

See Accompanying "Notes to Financial Statements"

CITY OF DIMMITT, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS (continued)
SEPTEMBER 30, 2022

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION:

Total Fund Balance - Total Governmental Funds	\$2,154,632
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$9,934,140, net of accumulated depreciation of \$7,712,746, are not financial resources and, therefore, are not reported in governmental funds	2,221,394
The restricted net pension asset is not an available financial resource and, therefore, is not reported in governmental funds	635,918
Deferred outflows of resources are not available financial resources and, therefore, are not reported in governmental funds	16,990
Long-term property tax receivables are not available to pay current period expenditures and, therefore, are unavailable in governmental funds	27,613
Deferred inflows of resources are not due and payable in the current period and are not reported in governmental funds	<u>(201,714)</u>
Net Position of Governmental Activities	<u>\$4,854,833</u>

See Accompanying "Notes to Financial Statements"

CITY OF DIMMITT, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Capital Projects Fund	Total
<u>REVENUES:</u>			
Property Taxes.....	\$ 702,181	\$ -	\$ 702,181
Sales Taxes.....	473,542	-	473,542
Franchise Taxes.....	238,520	-	238,520
Motel Occupancy Taxes.....	6,775	-	6,775
Charges for Services.....	154,971	-	154,971
Grant Revenue.....	511,559	-	511,559
Investment Income.....	17,659	-	17,659
Licenses and Permits.....	6,275	-	6,275
Lease Income.....	13,186	-	13,186
Miscellaneous.....	2,055	-	2,055
	<u>2,126,723</u>	<u>-</u>	<u>2,126,723</u>
<u>EXPENDITURES:</u>			
Current:			
General Government	469,093	-	469,093
Public Safety:			
Police	659,597	-	659,597
Fire	44,395	-	44,395
Municipal Court	28,856	-	28,856
Parks and Recreation	40,997	-	40,997
Airport	13,919	-	13,919
Public Health	99,275	-	99,275
Streets and Public Works	190,273	-	190,273
Capital Outlays.....	483,747	-	483,747
	<u>2,030,152</u>	<u>-</u>	<u>2,030,152</u>
<u>EXCESS (DEFICIT) OF REVENUES</u>			
<u>OVER EXPENDITURES</u>	<u>96,571</u>	<u>-</u>	<u>96,571</u>
<u>OTHER FINANCING SOURCES (USES):</u>			
Sale of Assets.....	17,000	-	17,000
Insurance Proceeds.....	10,178	-	10,178
Transfers In.....	150,000	-	150,000
Transfers Out.....	-	-	-
	<u>177,178</u>	<u>-</u>	<u>177,178</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>273,749</u>	<u>-</u>	<u>273,749</u>
<u>FUND BALANCES:</u>			
Beginning of Year.....	1,880,883	-	1,880,883
End of Year.....	<u>\$2,154,632</u>	<u>\$ -</u>	<u>\$2,154,632</u>

See Accompanying "Notes to Financial Statements"

CITY OF DIMMITT, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (continued)
YEAR ENDED SEPTEMBER 30, 2022

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

Net Change in Fund Balances - Total Governmental Funds \$ 273,749

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

Governmental funds report capital outlays as
expenditures. However, in the statement of
activities, the cost of those assets is allocated
over their estimated useful lives and reported
as depreciation expense:

Capital Outlays.....	483,747
Depreciation Expense.....	(230,838)

Governmental funds report payments to the retirement
plan as expenditures; however, in the statement of
activities, pension income or expense is recorded
in accordance with GASB 68:

Retirement Plan Payments.....	22,780
Pension Income.....	5,001

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

Change in unavailable property tax revenue.....	218
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Change in Net Position of Governmental Activities	<u>\$ 554,657</u>
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See Accompanying "Notes to Financial Statements"

CITY OF DIMMITT, TEXAS

STATEMENT OF NET POSITION - UTILITY FUND
YEAR ENDED SEPTEMBER 30, 2022

CURRENT ASSETS

Cash.....	\$ 2,633,433
Investments.....	233,273
Receivables (Net):	
Accounts	150,404
Due from Other Funds.....	506,178
	<u>3,523,288</u>

NONCURRENT ASSETS

Restricted Net Pension Asset.....	594,573
Capital Assets:	
Non-Depreciable	931,966
Depreciable, Net	6,844,187
	<u>8,370,726</u>
Total Assets	<u>11,894,014</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions.....	<u>15,885</u>
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CURRENT LIABILITIES

Accounts Payable.....	40,464
Accrued Liabilities.....	60,928
Due to Other Funds.....	-
Long-Term Debt, Amounts Due Within One Year.....	-
	<u>101,392</u>

NONCURRENT LIABILITIES

Long-Term Debt, Amounts Due in More Than One Year.....	-
Estimated Liability for Landfill Closure and	
Postclosure Care Costs	301,838
	<u>301,838</u>
Total Liabilities	<u>403,230</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions.....	<u>188,600</u>
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NET POSITION

Net Investment in Capital Assets.....	7,776,153
Restricted for Pension Plan.....	421,858
Unrestricted.....	<u>3,120,588</u>
Total Net Position	<u>\$11,318,069</u>

See Accompanying "Notes to Financial Statements"

CITY OF DIMMITT, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION - UTILITY FUND
YEAR ENDED SEPTEMBER 30, 2022

OPERATING REVENUES:

Charges for Water Services.....	\$ 770,593
Charges for Sanitation Services.....	473,205
Charges for Sewer Services.....	238,004
Storage Tank Fees.....	132,781
Sewer Maintenance Fees.....	53,187
Landfill Charges.....	41,735
Connection Fees.....	22,507
Penalties.....	17,709
Miscellaneous.....	12,580
Recycling Income.....	9,400
	<u>1,771,701</u>

OPERATING EXPENSES:

Personnel Cost.....	609,520
Depreciation.....	382,503
Repairs and Maintenance.....	286,971
Utilities and Telephone.....	147,395
Fuel and Oil.....	85,775
Insurance.....	43,921
Contract Services.....	38,760
Travel, Schools and Dues.....	26,097
Miscellaneous Expense.....	20,414
Supplies and Materials.....	18,257
Landfill Postclosure Expense.....	14,160
Uniforms.....	10,675
Licenses and Permits.....	5,665
	<u>1,690,113</u>

Income from Operations.....	<u>81,588</u>
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NONOPERATING REVENUES (EXPENSES):

Investment Income.....	19,722
Lease Income.....	10,833
Sale of Assets.....	6,800
Pension Income.....	129,052
	<u>166,407</u>

Income Before Transfers.....	247,995
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Transfers Out.....	<u>(150,000)</u>
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<u>CHANGE IN NET POSITION</u>	97,995
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Net Position - Beginning.....	<u>11,220,074</u>
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Net Position - Ending.....	<u>\$11,318,069</u>
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See Accompanying "Notes to Financial Statements"

CITY OF DIMMITT, TEXAS

STATEMENT OF CASH FLOWS - UTILITY FUND
YEAR ENDED SEPTEMBER 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers.....	\$1,742,681
Other Operating Receipts.....	21,979
Cash Paid to Suppliers for Goods and Services.....	(732,683)
Cash Payments to Employees for Services.....	<u>(477,314)</u>
Net Cash Provided by (Used for) Operations.....	<u>554,663</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Rents Received.....	10,833
Transfers to Other Funds.....	<u>(150,000)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(139,167)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from Sale of Capital Assets.....	6,800
Payments for Acquisition of Capital Assets.....	<u>(188,317)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(181,517)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment Income.....	19,722
Purchase of Certificates of Deposit.....	<u>(455)</u>
Net Cash Provided by (Used for) Investing Activities.....	<u>19,267</u>

<u>NET INCREASE (DECREASE) IN CASH</u>	253,246
Cash, Beginning of Year.....	<u>2,380,187</u>
Cash, End of Year.....	<u>\$2,633,433</u>

RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO
NET CASH PROVIDED BY (USED FOR) OPERATIONS:

Income (Loss) from Operations	\$ 81,588
Adjustments to Reconcile Net Income to Net Cash Provided by Operations:	
Depreciation	382,503
Landfill Postclosure Expense	14,160
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable.....	93,242
(Increase) Decrease in Pension Related Accounts	(21,300)
Increase (Decrease) in Accounts Payable.....	(5,445)
Increase (Decrease) in Accrued Expenses	<u>9,915</u>
Net Cash Provided by (Used for) Operations	<u>\$ 554,663</u>

See Accompanying "Notes to Financial Statements"

CITY OF DIMMITT, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Dimmitt is a municipality operating under the laws and regulations of the State of Texas, and is governed by an eight-member City Council elected by registered voters of the City. The City provides the following services: public safety, streets, sanitation and health, parks and recreation, airport operations, water and sewer, and general administrative service. The following is a summary of the more significant policies:

A. The Reporting Entity:

The accompanying financial statements present the City's primary government and the component unit, Dimmitt Economic Development Corporation (DEDC), over which the City exercises significant influence. Significant influence or accountability is based on operational or financial relationships with the City (as distinct from legal relationships). The DEDC was incorporated in 2018 for the purpose of providing economic assistance to businesses located in or relocating to the City of Dimmitt and the surrounding area. Separate financial statements for the DEDC are not issued.

B. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

CITY OF DIMMITT, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

D. Fund Types and Major Funds:

The City considers all of its funds to be major funds for the current year.

General Fund:

The General Fund is the primary fund of the City. It is used to account for all financial resources not accounted for in another fund.

Special Revenue Funds:

Special Revenue Funds are used to account for the proceeds of specific resources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds:

Capital Project Funds account for financial resources to be used for the acquisition and construction of major capital facilities, which are not financed by the Utility Fund.

Utility Fund:

The Utility Fund is used to account for the operations of the water, sewer, and waste utilities. The Utility Fund is financed and operated in a manner similar to private business enterprises. For the purpose of its statement of cash flows, the City considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

E. Capital Assets and Depreciation:

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost (estimated cost figures have been used where actual cost could not be identified). Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives of the asset are not capitalized. Capital assets are depreciated using

CITY OF DIMMITT, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

E. Capital Assets and Depreciation (continued):

the straight-line method over the estimated useful lives of the assets. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the operations.

Estimated useful lives are as follows:

Buildings	40 Years
Improvements, Other than Buildings	10-40 Years
Machinery and Equipment	5-15 Years

F. Long-Term Debt:

In the government-wide and proprietary fund financial statements, outstanding debts are reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period and repayments of debt as expenditures of the current period.

G. Use of Estimates:

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

H. Date of Management's Review:

Management has evaluated subsequent events through September 26, 2023, the date the financial statements were available to be issued.

I. Restricted Resources:

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

J. Proprietary Fund Revenues and Expenses:

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility Fund are charges for water, sewer, and trash collection services. Operating expenses for the Utility Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF DIMMITT, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

K. FUND EQUITY:

In the government-wide and proprietary fund financial statements, equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
- 2) Restricted net position consists of net assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through enabling legislation.
- 3) Unrestricted net position consists of all other assets that do not meet the definition of "restricted" or "net investment in capital assets."

In the governmental funds financial statements, equity is classified as fund balance. Fund balance is further classified as follows:

- 1) Nonspendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- 2) Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to enabling legislation.
- 3) Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision making authority. The City Council is the highest level of decision making authority that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action by the City Council is taken to remove or revise the limitation.
- 4) Assigned includes fund balance amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be stipulated by the City Council. With the exception of the General Fund, this is the residual fund balance of the classification for all governmental funds with positive balances.
- 5) Unassigned includes the residual balance of the General Fund that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes.

CITY OF DIMMITT, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

L. Pensions:

For purposes of measuring the net pension asset or 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.

NOTE 2 - BUDGETS AND ACCOUNTABILITY:

The City Manager submits an annual budget in accordance with applicable state laws and regulations. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. Before the start of the next fiscal year, the City Council adopts the budget for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

NOTE 3 - INTERNAL BALANCES AND TRANSFERS:

Internal balances result from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. There are no interfund balances that are not expected to be repaid by September 30, 2023. At September 30, 2022, the balance due from the General Fund to the Utility Fund was \$506,178.

The City makes transfers from the Utility Fund to the General Fund to subsidize expenses of the General Fund when considered necessary by city management. During the year the City transferred \$150,000 from the Utility Fund to the General Fund.

NOTE 4 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED INFLOWS OF RESOURCES:

Significant receivables include amounts due from customers primarily for water and sewer services, trash collection, and amounts due from property taxes receivable. Allowances for non-collectible accounts have been recorded based on the estimated amount of uncollectible accounts. The allowance in the General Fund is \$38,666, and the allowance in the Utility Fund is \$112,404 as of September 30, 2022.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

In the governmental fund financial statements, property taxes receivable are recorded at the total amount of delinquent taxes owed at the fiscal year end. If delinquent taxes are not paid within 60 days of the fiscal year end, they are recorded as a deferred inflow of resources.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when the cash is received. Over time, substantially all property taxes are collected.

CITY OF DIMMITT, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 5 - RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and other claims of various natures. The City purchases insurance from Texas Municipal League Intergovernmental Risk Pool (TML-IRP) to indemnify it in the event of loss. The City pays annual premiums for such coverage. TML-IRP purchases re-insurance, and the City does not retain risk of loss exceeding deductibles. The City has had no significant reduction in insurance coverage from the previous year and claims have not exceeded coverage in the last three years.

NOTE 6 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

State and federal laws and regulations require that the City of Dimmitt place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the active cells of the landfill no longer accept waste. The recognition of these landfill closure and postclosure care costs is based on the estimated amount of landfill capacity used to date. The estimated liability for landfill closure and postclosure care costs has a balance of \$301,838 as of September 30, 2022. The total postclosure costs are estimated to be \$884,788. The remaining life of the landfill is estimated to be 68 years resulting in a current year accrual of \$10,176. The estimate for the total closure of the currently used trench is estimated to be \$98,852, which represents the full accrual of all estimated closure costs on the current trench. The current year accrual of \$3,984 represents the current year inflation adjustment as provided by the State of Texas. The estimated total current cost of the landfill closure and postclosure cost is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2022. The actual cost of closure and postclosure care, however, could be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City has demonstrated financial assurance by use of the financial test. The City guarantees through the guarantee specified in 31 Texas Administrative Code, 330.285(g), the closure, postclosure care, and/or corrective action care of the landfill owned and operated by the City. Following is a summary of the accrual for the estimated liability for landfill closure and postclosure care costs:

Balance, September 30, 2021	\$287,678
Current Year Expense Accrual	<u>14,160</u>
Balance, September 30, 2022	<u>\$301,838</u>

NOTE 7 - COMPENSATED ABSENCES:

Employees of the City of Dimmitt are entitled to paid days off depending on job classification, length of service, and other factors. Paid time off earned, but not taken, is paid at termination. Accordingly, the City has accrued \$18,720 in the General Fund and \$36,006 in the Utility Fund for the accrued paid time off liability as of September 30, 2022.

CITY OF DIMMITT, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 8 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City also has one item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable property tax revenue*, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 9 - 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.

Cash Deposits

The City's cash deposits at September 30, 2022, were entirely covered by FDIC insurance and pledged collateral held by the agent bank.

Investments

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

The Public Funds Investment Act (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. Additionally, investment practices of the City were in accordance with local policies.

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) local government investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

CITY OF DIMMITT, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 9 - DEPOSITS AND INVESTMENTS (continued):

The City's investments at September 30, 2022, are shown as follows:

<u>Type of Security</u>	<u>Fair Value</u>	<u>Percentage of Total</u>	<u>Credit Rating</u>	<u>Investment Maturity</u>
Certificates of Deposit	<u>\$466,736</u>	<u>100.00%</u>	N/A	Less than one year

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. At September 30, 2022, the City's investments are rated as to credit quality as shown above.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by deposit insurance plus the amount of the pledged securities. At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single user. At year end, the City's exposure to concentration of credit risk is shown above as the percentage of each investment type.

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's exposure to interest rate risk is summarized in the above table. Since the investments are certificates of deposit, the rate of return is guaranteed and the City is not exposed to any 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.

Investment Accounting Policy

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 nonparticipating 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 or 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 DIMMITT, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 10 - CAPITAL ASSETS:

Following is a summary of the capital asset activity for the year ended September 30, 2022:

	Beginning of Year	Additions	Retirements	End of Year
Governmental Activities:				
Non-Depreciable Assets:				
Land.....	\$ 602,748	\$ 15,000	\$ -	\$ 617,748
Depreciable Assets:				
Buildings.....	760,603	117,820	-	878,423
Improvements.....	6,065,506	162,554	-	6,228,060
Machinery & Equipment..	1,057,601	38,456	-	1,096,057
Vehicles.....	1,027,439	149,917	(63,504)	1,113,852
	<u>9,513,897</u>	<u>483,747</u>	<u>(63,504)</u>	<u>9,934,140</u>
Accumulated Depreciation	<u>7,545,412</u>	<u>230,838</u>	<u>(63,504)</u>	<u>7,712,746</u>
Governmental Activities				
Net Capital Assets	<u>\$ 1,968,485</u>	<u>\$ 252,909</u>	<u>\$ -</u>	<u>\$ 2,221,394</u>
Business-Type Activities:				
Non-Depreciable Assets:				
Land.....	\$ 931,966	\$ -	\$ -	\$ 931,966
Depreciable Assets:				
Water System Assets...	11,917,908	109,851	(8,663)	12,019,096
Sewer System Assets...	966,589	19,500	-	986,089
Sanitation Assets.....	979,499	7,800	(12,693)	974,606
Shop/Warehouse Assets..	37,219	-	-	37,219
Landfill Assets.....	1,182,611	58,965	(12,693)	1,228,883
	<u>16,015,792</u>	<u>196,116</u>	<u>(34,049)</u>	<u>16,177,859</u>
Accumulated Depreciation	<u>8,053,252</u>	<u>382,503</u>	<u>(34,049)</u>	<u>8,401,706</u>
Business-Type Activities				
Net Capital Assets	<u>\$ 7,962,540</u>	<u>\$ (186,387)</u>	<u>\$ -</u>	<u>\$ 7,776,153</u>
Primary Government Net				
Capital Assets.....	<u>\$ 9,931,025</u>	<u>\$ 66,522</u>	<u>\$ -</u>	<u>\$ 9,997,547</u>

Depreciation expense was charged to governmental functions as follows:

General Government.....	\$ 26,202
Public Safety:	
Police	75,622
Fire	6,038
Municipal Court.....	2,500
Streets and Public Works...	96,199
Public Health.....	2,130
Parks and Recreation.....	17,677
Airport.....	4,470
	<u>\$230,838</u>

CITY OF DIMMITT, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11 - EMPLOYEE RETIREMENT PLAN:

A. Plan Description

The City of Dimmitt participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the City-financed monetary credits, with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions 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 of the City were as follows:

Employee Deposit Rate	6.0%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	5
Service Retirement Eligibility (Expressed as age/years of service)	60/5,0/20
Updated Service Credits	100% Repeating Transfers
Annuity Increase (to retirees)	30% of CPI Repeating

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	40
Active employees	<u>25</u>
Total	<u>85</u>

CITY OF DIMMITT, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11 - EMPLOYEE RETIREMENT PLAN (continued):

C. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees of the City of Dimmitt were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Dimmitt were 4.52% and 4.31% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$44,030, and were equal to the required contributions.

D. Net Pension Asset

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

Actuarial Assumptions

The Total Pension Liability in the December 31, 2021, 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 are 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.

CITY OF DIMMITT, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 11 - EMPLOYEE RETIREMENT PLAN (continued):

D. Net Pension Asset (continued)

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 various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	<u>100.00%</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 Member and employer contributions will be made at the rates specified in the 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 Members. 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.

CITY OF DIMMITT, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 11 - EMPLOYEE RETIREMENT PLAN (continued):

D. Net Pension Asset (continued)

Changes in the Net Pension Liability

Following is a summary of the changes in Net Pension Liability/(Asset):

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) - (b)
Balance at 12/31/2020	\$4,762,159	\$5,596,594	\$ (834,435)
Changes for the Year:			
Service Cost	126,350	-	126,350
Interest on Total Pension Liability	317,040	-	317,040
Difference in Expected/Actual Experience	(10,698)	-	(10,698)
Changes in Assumptions	-	-	-
Benefit Payments, Including Refunds	(256,895)	(256,895)	-
Contributions - Employer	-	44,940	(44,940)
Contributions - Employee	-	58,904	(58,904)
Net Investment Income	-	728,256	(728,256)
Administrative Expenses	-	(3,376)	3,376
Other	-	24	(24)
Balance at 12/31/2021	<u>\$4,937,956</u>	<u>\$6,168,447</u>	<u>\$ (1,230,491)</u>

Sensitivity Analysis

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

	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability/(Asset)	<u>\$ (625,826)</u>	<u>\$ (1,230,491)</u>	<u>\$ (1,732,223)</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.

E. Pension Expense(Income) and Deferred Inflows/Outflows of Resources

Pension Expense (Income)

For the year ended September 30, 2022, the City recognized pension income of \$134,053 calculated as follows:

Service Cost	\$ 126,350
Interest on Total Pension Liability	317,040
Employee Contributions	(58,904)
Projected Earnings on Plan Investments	(377,753)
Administrative expenses	3,376
Other Changes in Fiduciary Net Position	(24)
Recognition of Current Year Outflow(Inflow) of Resources:	
Liabilities	(4,553)
Assets	(70,098)
Amortization of Prior Year Outflows(Inflows) of Resources:	
Liabilities	(10,878)
Assets	(58,609)
Total Pension Expense (Income)	<u><u>\$ (134,053)</u></u>

CITY OF DIMMITT, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11 - EMPLOYEE RETIREMENT PLAN (continued):

E. Pension Expense and Deferred Inflows/Outflows of Resources (continued)
Deferred Inflows/Outflows of Resources

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

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference in Expected and Actual Experience	\$ (15,859)	\$ -
Difference in Assumption Changes	-	1,145
Difference in Projected and Actual Earnings on Pension Plan Investments	(374,455)	-
Contributions Made Subsequent to the Measurement Date	<u>-</u>	<u>31,730</u>
Total	<u>\$ (390,314)</u>	<u>\$ 32,875</u>

The amount of \$31,730 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2022	\$ (76,603)
2023	(163,487)
2024	(78,985)
2025	(70,094)
2026	-
Thereafter	<u>-</u>
	<u>\$ (389,169)</u>

Payable to Pension Plan

At September 30, 2022, the City reported a payable of \$4,112 in the General Fund and a payable of \$4,058 in the Utility Fund for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2022.

SUPPLEMENTAL INFORMATION SECTION

CITY OF DIMMITT, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property Taxes.....	\$ 704,000	\$ 704,000	\$ 702,181	\$ (1,819)
Sales Taxes.....	401,750	401,750	473,542	71,792
Franchise Taxes.....	205,000	205,000	238,520	33,520
Motel Occupancy Taxes.....	6,000	6,000	6,775	775
Charges for Services.....	180,300	180,300	154,971	(25,329)
Grant Revenue.....	-	-	511,559	511,559
Investment Income.....	12,000	12,000	17,659	5,659
Licenses and Permits.....	6,375	6,375	6,275	(100)
Lease Income.....	15,000	15,000	13,186	(1,814)
Miscellaneous.....	26,450	26,450	2,055	(24,395)
	<u>1,556,875</u>	<u>1,556,875</u>	<u>2,126,723</u>	<u>569,848</u>
EXPENDITURES:				
Current:				
General Government	419,306	419,306	469,093	49,787
Public Safety:				
Police.....	631,220	631,220	659,597	28,377
Fire.....	51,300	51,300	44,395	(6,905)
Municipal Court	51,483	51,483	28,856	(22,627)
Parks and Recreation	67,939	67,939	40,997	(26,942)
Airport	6,850	6,850	13,919	7,069
Health	117,300	117,300	99,275	(18,025)
Streets and Alleys	195,077	195,077	190,273	(4,804)
Capital Outlays.....	280,000	280,000	483,747	203,747
	<u>1,820,475</u>	<u>1,820,475</u>	<u>2,030,152</u>	<u>209,677</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES.....	<u>(263,600)</u>	<u>(263,600)</u>	<u>96,571</u>	<u>360,171</u>
OTHER FINANCING SOURCES (USES):				
Sale of Assets.....	-	-	17,000	17,000
Insurance Proceeds.....	1,500	1,500	10,178	8,678
Transfers In.....	150,000	150,000	150,000	-
Transfers Out.....	-	-	-	-
	<u>151,500</u>	<u>151,500</u>	<u>177,178</u>	<u>25,678</u>
NET CHANGE IN FUND BALANCES ..	<u>(112,100)</u>	<u>(112,100)</u>	<u>273,749</u>	<u>385,849</u>
FUND BALANCES:				
Beginning of Year.....	<u>1,880,883</u>	<u>1,880,883</u>	<u>1,880,883</u>	<u>-</u>
End of Year.....	<u>\$1,768,783</u>	<u>\$1,768,783</u>	<u>\$2,154,632</u>	<u>\$ 385,849</u>

CITY OF DIMMITT, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS

	Year Ended December 31									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total Pension Liability										
Service Cost	\$ 126,350	\$ 132,949	\$ 130,879	\$ 133,620	\$ 136,353	\$ 125,218	\$ 121,411	\$ 107,721	N/A	N/A
Interest on Total Pension Liability	317,040	308,065	294,973	281,300	281,229	275,580	279,978	275,288	N/A	N/A
Changes of Benefit Terms	-	-	-	-	-	-	-	-	N/A	N/A
Difference Between Expected and Actual Experience	(10,698)	(51,998)	(7,088)	33,068	(155,611)	(39,432)	(162,109)	(96,770)	N/A	N/A
Change of Assumptions	-	-	24,059	-	-	-	79,743	-	N/A	N/A
Benefit Payments/Refunds of Contributions	(256,895)	(248,630)	(251,156)	(236,969)	(282,131)	(284,366)	(191,506)	(260,659)	N/A	N/A
Net Change in Total Pension Liability	175,797	140,386	191,667	211,019	(20,160)	77,000	127,517	25,580	N/A	N/A
Total Pension Liability, Beginning	4,762,159	4,621,773	4,430,106	4,219,087	4,239,247	4,162,247	4,034,730	4,009,150	N/A	N/A
Total Pension Liability, Ending (a)	\$ 4,937,956	\$ 4,762,159	\$ 4,621,773	\$ 4,430,106	\$ 4,219,087	\$ 4,239,247	\$ 4,162,247	\$ 4,034,730	N/A	N/A
Fiduciary Net Position										
Employer Contributions	\$ 44,940	\$ 39,550	\$ 36,361	\$ 49,017	\$ 49,027	\$ 43,099	\$ 51,709	\$ 60,277	N/A	N/A
Member Contributions	58,904	59,045	58,646	60,144	60,156	55,611	56,823	53,841	N/A	N/A
Investment Income Net of Investment Expenses	728,256	405,163	736,402	(151,162)	635,993	302,500	6,725	254,709	N/A	N/A
Benefit Payments/Refunds of Contributions	(256,895)	(248,630)	(251,156)	(236,969)	(282,131)	(284,366)	(191,506)	(260,659)	N/A	N/A
Administrative Expenses	(3,376)	(2,625)	(4,165)	(2,924)	(3,297)	(3,417)	(4,097)	(2,659)	N/A	N/A
Other	24	(101)	(126)	(153)	(168)	(184)	(202)	(219)	N/A	N/A
Net Change in Fiduciary Net Position	571,853	252,402	575,962	(282,047)	459,580	113,243	(80,548)	105,290	N/A	N/A
Fiduciary Net Position, Beginning	5,596,594	5,344,192	4,768,230	5,050,277	4,590,697	4,477,454	4,558,002	4,452,712	N/A	N/A
Fiduciary Net Position, Ending (b)	\$ 6,168,447	\$ 5,596,594	\$ 5,344,192	\$ 4,768,230	\$ 5,050,277	\$ 4,590,697	\$ 4,477,454	\$ 4,558,002	N/A	N/A
Net pension liability /(asset), ending = (a)-(b)	\$ (1,230,491)	\$ (834,435)	\$ (722,419)	\$ (338,124)	\$ (831,190)	\$ (351,450)	\$ (315,207)	\$ (523,272)	N/A	N/A
Fiduciary net position as a % of total pension liability	124.92%	117.52%	115.63%	107.63%	119.70%	108.29%	107.57%	112.97%	N/A	N/A
Pensionable covered payroll	\$ 981,739	\$ 984,076	\$ 977,438	\$ 1,002,398	\$ 1,002,593	\$ 926,852	\$ 947,046	\$ 897,355	N/A	N/A
Net pension liability as a % of covered payroll	-125.34%	-84.79%	-73.91%	-33.73%	-82.90%	-37.92%	-33.28%	-58.31%	N/A	N/A

CITY OF DIMMITT, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN YEARS

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2012	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2014	\$ 60,277	\$ 60,277	\$ -	\$ 897,355	6.72%
2015	\$ 51,709	\$ 51,709	\$ -	\$ 947,046	5.46%
2016	\$ 43,099	\$ 43,099	\$ -	\$ 926,852	4.65%
2017	\$ 49,027	\$ 49,027	\$ -	\$ 1,002,593	4.89%
2018	\$ 49,017	\$ 49,017	\$ -	\$ 1,002,398	4.89%
2019	\$ 36,361	\$ 36,361	\$ -	\$ 977,438	3.72%
2020	\$ 39,550	\$ 39,550	\$ -	\$ 984,076	4.02%
2021	\$ 44,940	\$ 44,940	\$ -	\$ 981,739	4.58%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31, and they 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	N/A
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 on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.