

**CITY OF HOLLAND, TEXAS
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2021**

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Rod L. Abbott, CPA PLLC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
of the City of Holland, Texas

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Holland, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements. I was not engaged to audit the financial statements of the discretely presented component unit. These financial statements collectively comprise the City's 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component unit.

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, I 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.

Except for the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Unit" paragraph, I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Summary of Opinions

<u>Opinion Unit:</u>	<u>Type of Opinion:</u>
Governmental-Type Activities	Unmodified
Business-Type Activities	Unmodified
General Fund	Unmodified
Water and Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified
Mayfield Library and Museum	Disclaimer

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Unit

The financial statements of the Mayfield Library and Museum (MLM) have not been audited, and I was not engaged to audit the MLM financial statements as part of my audit of the City's basic financial statements. MLM's financial activities are included in the City's basic financial statements as a discretely presented component unit and represent 100 percent, 100 percent, and 100 percent of the assets, net position, and revenues, respectively, of the City's aggregate discretely presented component unit.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Unit" paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component unit of the City of Holland, Texas. Accordingly, I do not express an opinion on these financial statements.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Holland, 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, pension schedules, and OPEB schedules on pages 4-8 and 38-42 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 23, 2022, on my consideration of the City of Holland, Texas's internal control over financial reporting and on my 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 my 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 Holland, Texas's internal control over financial reporting and compliance.



Rod L. Abbott, CPA PLLC
Tom Bean, Texas
May 23, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Holland, Texas

For the Year Ended September 30, 2021

In this section of the annual financial report, the City of Holland, Texas will discuss and analyze the City's financial performance for the fiscal year ended September 30, 2021. Please read it in conjunction with the Independent Auditor's Report on page 1, and the City's basic financial statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- The City had an overall increase in net position of \$462,927 as a result of this year's operations. Primary reasons for the increase are 1) a \$160,448 gain on the sale of City land, 2) a \$148,857 year over year increase in public safety and court collections, and 3) receipt of \$145,079 of federal Covid-19 relief funding.
- The General Fund ended the year with a fund balance of \$675,298, which is a \$393,254 increase during fiscal year 2021.
- The Water and Sewer Fund ended the year with a net position of \$2,455,687, which is a \$89,669 increase during fiscal year 2021.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the statement of net position (on page 9). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 11) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. Proprietary statements provide the same type of information as the government-wide financial statements, only in more detail.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The statement of net position includes all the City's assets and liabilities at the end of the year while the statement of activities includes all the revenues and expenses generated by the City's operations during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Holland, Texas

For the Year Ended September 30, 2021

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

These two statements report the City's net position and changes in them. The City's net position provides one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in property tax base and the condition of the City's facilities.

In the statement of net position and the statement of activities, the City is divided into two kinds of activities.

Governmental activities - Most of the City's basic services are reported here, including police and general government. Property taxes, sales taxes, and franchise fees finance most of these activities.

Business-type activities - The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer system activity are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. The City's two kinds of funds - governmental and proprietary - utilize different accounting approaches.

Governmental funds -The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions.

Proprietary funds -The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in statement of net position and the statement of activities. In fact, the City's proprietary funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Holland, Texas
For the Year Ended September 30, 2021

Government-Wide Financials Analysis

The City's combined net position was \$3,273,771 as of September 30, 2021. Analyzing the net position of governmental and business-type activities separately, the business type activities net position is \$2,455,687 and governmental activities net position is \$818,084. The following tables focus on net position (Table 1) and general revenues, charges for services, and significant expenses of the City's governmental and business-type activities (Table II).

Table 1 – Comparative Statements of Net Position – FY2021 and FY 2020

	Governmental Activities		Business-type Activities		Total	
	FY21	FY20	FY21	FY20	FY21	FY20
Current and other assets	\$ 801,327	\$ 352,185	\$ 582,863	\$ 410,054	\$ 1,384,190	\$ 762,239
Capital assets	199,908	197,395	2,751,417	2,866,658	2,951,325	3,064,053
Total assets	<u>1,001,235</u>	<u>549,580</u>	<u>3,334,280</u>	<u>3,276,712</u>	<u>4,335,515</u>	<u>3,826,292</u>
Deferred outflows of resources	9,696	9,209	7,633	8,144	\$ 17,329	17,353
Long-term liabilities	92,759	37,102	727,910	758,532	820,669	795,634
Other liabilities	46,378	46,245	100,106	126,880	146,485	173,125
Total liabilities	<u>139,137</u>	<u>83,347</u>	<u>828,016</u>	<u>885,412</u>	<u>967,154</u>	<u>968,759</u>
Deferred inflows of resources	53,710	30,616	58,210	33,426	111,920	64,042
Net position:						
Net investment in cap. assets	130,213	180,353	2,032,192	2,115,680	2,162,405	2,296,033
Restricted	47,933	17,015	154,526	11,143	202,460	28,158
Unrestricted	639,938	247,459	268,969	239,196	908,906	486,655
Total net position	<u>\$ 818,084</u>	<u>\$ 444,826</u>	<u>\$ 2,455,687</u>	<u>\$ 2,366,018</u>	<u>\$ 3,273,771</u>	<u>\$ 2,810,844</u>

A large portion of the City's net position totals \$2,162,405, and reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position totaling \$202,460 represents resources that are subject to external restrictions on how they may be used. The remaining \$908,906 is the unrestricted portion of net position and may be used to meet the City's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Holland, Texas
For the Year Ended September 30, 2021

Table 2 – Comparative Statements of Activities – FY2021 and FY 2020

	Governmental Activities		Business-type Activities		Total	
	FY21	FY20	FY21	FY20	FY21	FY20
Revenues:						
Program Revenues:						
Charges for services	\$ 312,292	\$ 151,882	\$ 673,035	\$ 651,055	\$ 985,327	\$ 802,937
Operating grants and contributions	63,635	-	-	-	63,635	-
Capital grants and contributions	-	-	145,079	314,050	145,079	314,050
General Revenues:						
Property taxes	215,507	196,379	-	-	215,507	196,379
Sales taxes and franchise fees	168,932	172,867	-	-	168,932	172,867
Investment income	2,161	2,304	1,408	2,096	3,569	4,400
Gain on sold assets	160,448	38,410	-	-	160,448	38,410
Other	725	2,678	7,374	11,935	8,099	14,613
	<u>923,700</u>	<u>564,519</u>	<u>826,896</u>	<u>979,136</u>	<u>1,750,596</u>	<u>1,543,655</u>
Expenses:						
General government	193,929	168,763	-	-	193,929	168,763
Parks	2,193	2,978	-	-	2,193	2,978
Public safety	303,891	204,077	-	-	303,891	204,077
Streets	38,848	105,573	-	-	38,848	105,573
Debt service - interest	676	1,607	-	-	676	1,607
Development/Inspections	6,833	8,860	-	-	6,833	8,860
Library and civic center	4,071	17,741	-	-	4,071	17,741
Water/Sewer/Sanitation	-	-	737,227	749,638	737,227	749,638
	<u>550,441</u>	<u>509,599</u>	<u>737,227</u>	<u>749,638</u>	<u>1,287,669</u>	<u>1,259,237</u>
Excess (deficiency) of revenues over expenditures before transfers	373,258	54,920	89,669	229,498	462,927	284,418
Transfers In (Out)	-	-	-	-	-	-
Increase in net position	373,258	54,920	89,669	229,498	462,927	284,418
Net position - October 1	444,826	389,906	2,366,018	2,136,520	2,810,844	2,526,426
Net position - September 30	<u>\$ 818,084</u>	<u>\$ 444,826</u>	<u>\$ 2,455,687</u>	<u>\$ 2,366,018</u>	<u>\$ 3,273,771</u>	<u>\$ 2,810,844</u>

For fiscal year 2021, revenues from governmental activities totaled \$923,700, which is \$373,258 more than total governmental expenditures of \$550,441. The City's two largest funded programs are public safety and general government.

Revenues of the City's business-type activities were \$826,896, compared to \$979,136 for the fiscal year ended September 30, 2020. This decrease is attributable to a (\$168,971) decrease in grant income and capital contributions. Expenses for the City's business-type activities were \$737,227. As in the prior year, the City's largest business-type expenses continue to be wages & benefits and the cost of purchased of water.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Holland, Texas
For the Year Ended September 30, 2021

THE CITY'S FUNDS

As the City completed the year, its governmental fund (as presented in the balance sheet on page 11) reported a combined fund balance of \$685,298, which is more \$403,312 more than last year's total of \$282,044. The General Fund had an overall positive budget versus actual variance of \$387,609 as shown on page 38.

The City's proprietary-type fund (as presented in the statement of net position on page 15) reported a total net position of \$2,455,687, which is \$89,669 more than last year's total of \$2,366,018. Intergovernmental revenue from federal Coronavirus relief funding was a main contributor to this positive result.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 2021, the City had invested \$2,951,325 in capital assets, net of accumulated depreciation. The City's additions to capital assets for 2021 totaled \$46,095.

Debt

At year-end, the City had \$788,920 in bonds and notes outstanding, versus \$768,020 in the prior fiscal year. The City issued two new loans payable in fiscal year 2021 totaling \$86,395 to purchase a police vehicle and a Water and Sewer Fund vehicle.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials considered population growth and available resources from state revenues and property tax revenues when setting the 2022 fiscal year budget and tax rate. The City adopted a \$.4032 tax rate (per \$100 of assessed value) to meet the revenue and expenditure goals of the adopted budget. City management believes that if the City does not incur any significant, unforeseen expenditures or reductions in revenue, it should accomplish the task of providing City services within its available resources.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City's business office, at City of Holland, 102 W. Travis, Holland, Texas 76534.

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Mayfield Library and Museum (unaudited)
Assets				
Cash and cash equivalents	\$ 695,677	\$ 487,059	\$ 1,182,736	\$ 9,633
Receivables - net	40,575	48,332	88,907	-
Internal balances	12,066	(12,066)	-	-
Prepaid expenses	-	-	-	1,332
Net pension asset	53,010	59,537	112,547	-
Capital assets:				
Non-depreciable capital assets	-	207,724	207,724	2,000
Depreciable capital assets (net)	199,908	2,543,693	2,743,601	38,276
Total assets	<u>1,001,235</u>	<u>3,334,280</u>	<u>4,335,515</u>	<u>51,241</u>
Deferred outflows of resources				
Deferred outflows of resources - Pension	5,333	5,990	11,323	-
Deferred outflows of resources - OPEB	4,363	1,643	6,006	-
Total deferred outflows of resources	<u>9,696</u>	<u>7,633</u>	<u>17,329</u>	<u>-</u>
Liabilities				
Accounts payable	29,911	19,780	49,691	-
Accrued payroll liabilities	16,467	19,712	36,179	-
Customer meter deposits	-	60,615	60,615	-
Non-current liabilities:				
Due within one year - Bonds and notes	22,964	45,499	68,463	-
Due in more than one year				
Bonds and notes	46,731	673,726	720,457	-
Total OPEB liability	23,064	8,685	31,749	-
Total liabilities	<u>139,137</u>	<u>828,016</u>	<u>967,154</u>	<u>-</u>
Deferred inflows of resources				
Deferred inflows of resources - Pension	50,879	57,144	108,023	-
Deferred inflows of resources - OPEB	2,831	1,066	3,897	-
Total deferred inflows of resources	<u>53,710</u>	<u>58,210</u>	<u>111,920</u>	<u>-</u>
Net Position				
Net investment in capital assets	130,213	2,032,192	2,162,405	40,276
Restricted for:				
Court security and technology	32,697	-	32,697	-
Grant funds and other	15,237	154,526	169,763	-
Unrestricted	639,938	268,969	908,906	10,965
Total net position	<u>\$ 818,084</u>	<u>\$ 2,455,687</u>	<u>\$ 3,273,771</u>	<u>\$ 51,241</u>

The accompanying notes are an integral part of these financial statements.

City of Holland, Texas
Statement of Activities
For the Year Ended September 30, 2021

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position			Component Unit Mayfield Library and Museum (unaudited)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Total	
						Governmental Activities	Business-type Activities		
Primary government:									
Governmental activities:									
Public safety and court	\$ 303,891	\$ 282,149	\$ 63,635	\$ -	\$ 41,893	\$ -	\$ 41,893	\$ -	
General government	193,929	26,713	-	-	(167,216)	-	(167,216)	-	
Streets	38,848	-	-	-	(38,848)	-	(38,848)	-	
Library	97	-	-	-	(97)	-	(97)	-	
Inspections	6,833	1,130	-	-	(5,703)	-	(5,703)	-	
Civic center	3,974	2,300	-	-	(1,674)	-	(1,674)	-	
Parks	2,193	-	-	-	(2,193)	-	(2,193)	-	
Interest on long-term debt	676	-	-	-	(676)	-	(676)	-	
Total governmental activities	550,441	312,292	63,635	-	(174,514)	-	(174,514)	-	
Business-type activities:									
Water and Sewer - operating	737,227	673,035	-	145,079	-	80,887	80,887	80,887	
Total business-type activities	737,227	673,035	-	145,079	-	80,887	80,887	80,887	
Total primary government	1,287,669	985,327	63,635	145,079	(174,514)	80,887	(93,628)	-	
Component unit:									
Mayfield library and museum	4,915	8,000	1,940	-	-	-	-	5,025	
Total component unit	\$ 4,915	\$ 8,000	\$ 1,940	\$ -	\$ -	\$ -	\$ -	\$ 5,025	

General revenues:				
Property taxes	215,507	-	-	215,507
Sales taxes	112,335	-	-	112,335
Franchise taxes	56,597	-	-	56,597
Investment interest	2,161	1,408	-	3,569
Miscellaneous	725	7,374	-	8,099
Gain on sale of capital assets	160,448	-	-	160,448
Total general revenues & transfers	547,773	8,782	-	556,555
Change in net position	373,258	89,669	-	462,927
Net position - beginning	444,826	2,366,018	-	2,810,844
Net position - ending	\$ 818,084	\$ 2,455,687	\$ -	\$ 3,273,771

The accompanying notes are an integral part of these financial statements.

City of Holland, Texas
Balance Sheet - Governmental Type Funds
September 30, 2021

	General	Holland Municipal Development District (non-major)	Total Governmental Funds
Assets			
Cash	\$ 689,177	\$ 6,500	\$ 695,677
Accounts receivable - net	37,017	3,558	40,575
Due from other funds	12,066	-	12,066
Total current assets	<u>\$ 738,259</u>	<u>\$ 10,058</u>	<u>\$ 748,317</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 29,911	\$ -	\$ 29,911
Accrued payroll liabilities	16,467	-	16,467
Total current liabilities	<u>46,378</u>	<u>-</u>	<u>46,378</u>
Deferred Inflows of Resources			
Unavailable revenue			
Property taxes	16,582	-	16,582
Fund Balances			
Restricted for:			
Court security, technology, and other	37,875	-	37,875
Municipal development	-	10,058	10,058
Unassigned	637,423	-	637,423
Total fund balances	<u>675,298</u>	<u>10,058</u>	<u>685,356</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 738,259</u>	<u>\$ 10,058</u>	<u>\$ 748,317</u>

The accompanying notes are an integral part of these financial statements.

City of Holland, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
at September 30, 2021

Fund balances of governmental funds	\$	685,356
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		199,908
The City's net pension asset is not a current financial resource and, therefore, is not reported in the governmental funds.		53,010
Deferred outflows of resources related to pension and OPEB balances do not provide current financial resources and, therefore, are not reported in the governmental funds.		9,696
Deferred inflows of resources related to pension and OPEB balances do not require the use of current financial resources and, therefore, are not reported in the governmental funds.		(53,710)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(92,758)
Property taxes not received at year-end are shown as deferred income on the fund financial statements, but the amount should not be shown as deferred on the statement of net position.		16,582
Net position of governmental activities	<u>\$</u>	<u>818,084</u>

The accompanying notes are an integral part of these financial statements.

City of Holland, Texas
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2021

	General	Holland Municipal Development District (non-major)	Total Governmental Funds
Revenues			
Taxes:			
Property	\$ 214,280	\$ -	\$ 214,280
Sales	102,277	10,058	112,335
Franchise	56,597	-	56,597
Intergovernmental	63,635	-	63,635
Building and other permits	26,713	-	26,713
Court and police	282,149	-	282,149
Other revenue	2,300	-	2,300
Inspections	1,130	-	1,130
Investment earnings	2,161	-	2,161
Donations	725	-	725
Total revenues	751,967	10,058	762,025
Expenditures			
Current:			
Public safety and court	292,325	-	292,325
General government	201,209	-	201,209
Streets	35,955	-	35,955
Library	97	-	97
Inspections	6,833	-	6,833
Civic Center	3,649	-	3,649
Parks	924	-	924
Capital outlays	30,145	-	30,145
Debt service:			
Principal retirement	17,042	-	17,042
Interest expense	676	-	676
Total expenditures	588,856	-	588,856
Excess of revenues over (under) expenditures	163,111	10,058	173,169
Other financing sources (uses)			
Note proceeds	69,695	-	69,695
Proceeds from sale of capital assets	160,448	-	160,448
Total other financing sources(uses)	230,143	-	230,143
Net changes in fund balances	393,254	10,058	403,312
Fund balances - beginning	282,044	-	282,044
Fund balances - ending	\$ 675,298	\$ 10,058	\$ 685,356

The accompanying notes are an integral part of these financial statements.

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

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

Net change in fund balances - total governmental funds	\$ 403,312
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	2,513
Debt issuance proceeds are an other financing source in the governmental funds, but the proceeds are adjusted to long-term debt in the government-wide financial statements.	(69,695)
Principal payments on long-term debt are an expenditure for the governmental funds, but this expenditure is removed for the government-wide financial statements.	17,042
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in deferred revenue and various other items. The net effect of these reclassifications is to increase net position.	1,227
Other modifications are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting for OPEB and pension expense. The net effect of these adjustments is to increase net position.	18,859
Change in net position of governmental activities:	<u>\$ 373,258</u>

The accompanying notes are an integral part of these financial statements.

City of Holland, Texas
Statement of Net Position - Proprietary Fund
September 30, 2021

	<u>Water and Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 487,059
Accounts receivable - net	48,332
Total current assets	<u>535,391</u>
Noncurrent assets:	
Net pension asset	59,537
Capital assets (non-depreciable):	
Land	207,724
Capital assets (net of depreciation):	
Plants, machinery, and equipment	<u>2,543,693</u>
Total capital assets	<u>2,751,417</u>
Total noncurrent assets	<u>2,810,954</u>
Total assets	<u>3,346,346</u>
Deferred outflows of resources	
Deferred outflows of resources - Pension	5,990
Deferred outflows of resources - OPEB	1,643
Total deferred outflows of resources	<u>7,633</u>
Liabilities	
Current liabilities:	
Accounts payable	19,780
Accrued payroll liabilities	19,712
Due to other funds	12,066
Customer deposits	60,615
Current portion of long-term debt	45,499
Total current liabilities	<u>157,671</u>
Noncurrent liabilities:	
Total OPEB liability	8,685
Bonds and notes payable	<u>673,726</u>
Total noncurrent liabilities	<u>682,411</u>
Total liabilities	<u>840,082</u>
Deferred inflows of resources	
Deferred inflows of resources - Pension	57,144
Deferred inflows of resources - OPEB	1,066
Total deferred inflows of resources	<u>58,210</u>
Net position	
Net investment in capital assets	2,032,192
Restricted	154,526
Unrestricted	268,969
Total net position	<u>\$ 2,455,687</u>

The accompanying notes are an integral part of these financial statements.

City of Holland, Texas
Statement of Revenues, Expenses, and Changes in
Net Position - Proprietary Fund
For the Year Ended September 30, 2021

	Water and Sewer Fund
Operating revenues:	
Water income	\$ 351,971
Sewer income	169,723
Sanitation income	136,006
Water customer late and reconnect fees	15,334
Intergovernmental	145,079
Miscellaneous revenue	7,374
Total operating revenues	825,488
Operating expenses:	
Wages and benefits	154,948
Cost of water	162,873
Sanitation service	136,709
Depreciation	131,191
Repairs and maintenance	51,242
Supplies	12,643
Professional fees	16,613
Utilities	22,004
Permits	4,219
Other operating expenses	15,268
Insurance	13,199
Total operating expenses	720,911
Operating income	104,577
Non-operating revenues (expenses):	
Interest income	1,408
Interest expense	(16,317)
Total non-operating revenues (expenses)	(14,908)
Income (loss) before contributions and transfers	89,669
Transfers in (out)	-
Capital contributions	-
Change in net position	89,669
Total net position - beginning	2,366,018
Total net position - ending	\$ 2,455,687

The accompanying notes are an integral part of these financial statements.

City of Holland, Texas
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2021

	Water and Sewer Fund
Operating Activities:	
Receipts from customers and users	\$ 702,716
Payments to suppliers	(492,734)
Receipts from grantors	145,079
Payments to employees	(141,714)
Net cash provided (used) by operating activities	213,348
Capital and Related Financing Activities:	
Cash paid for acquisition and construction of capital assets	(15,950)
Interest paid on capital debt	(16,317)
Principal payments on long-term debt	(48,453)
Reimbursements for capital contributions	57,200
Issuance of capital debt	16,700
Net cash provided (used) by capital and related financing activities	(6,820)
Non-capital and Related Financing Activities	
Transfers (to) from other funds	-
Net cash provided (used) by non-capital and related financing activities	-
Investing Activities:	
Interest received	1,408
Net cash provided (used) by investing activities	1,408
Net increase (decrease) in cash and cash equivalents	207,936
Cash and cash equivalents, October 1	279,123
Cash and cash equivalents, September 30	\$ 487,059
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 104,577
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	131,191
Decrease (increase) in accounts receivable	15,807
Decrease (increase) in OPEB deferred outflows of resources	47
Increase (decrease) in pension deferred inflows of resources	37,313
Increase (decrease) in accounts payable	(26,501)
Increase (decrease) in other liabilities	(6,773)
Increase (decrease) in net pension liability (asset)	(49,945)
Increase (decrease) in total OPEB liability	1,131
Increase (decrease) in customer deposits	6,501
Net cash provided by operating activities	\$ 213,347
Non-cash capital activities:	
Capital contributions	\$ -

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Holland (City) was incorporated in 1890. The City operates under a Council- Mayor form of government and provides the following services: public safety, public works, parks, sanitation, sewer, and waterworks. The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanation, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses and other information considered important to gaining a clear picture of the City's financial activities.

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, 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. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

The City also presents Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a General Fund budgetary comparison schedule is presented that compares the original adopted and final amended budgets with actual results for the fund.

a. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES {CONTINUED}

a. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Component Units of the City

Mayfield Library and Museum (MLM) is a legally separate entity from the City. MLM is a non-profit organization created for the benefit of the citizens in and around the City. MLM has been included in the reporting as a non-major discretely presented component unit of the City. The City owns the land and the museum building, while the library building was built on the City owned land, the City is in agreement with the MLM that it shall take ownership of all assets if the MLM ceases to exist. The MLM is financially dependent on the City as the City pays for insurance, utilities and contributes funds monthly to help cover the expenses of day-to-day operations. Separate financial statements are not issued. MLM's business office is at 100 Rose Ln., Holland, TX 76534.

In fiscal year 2021, voters approved the creation of the Holland Municipal Development District (MDD). The MDD is a legally separate entity from the City created for the benefit of the citizens in and around the City by assisting in further City development. Funding for the MDD comes from an additional ¼ cent sales tax. The City Council has imposition of will over the MDD and appoints the board of directors for the MDD. Therefore, the MDD has been included in the reporting as a non-major blended component unit of the City. Separate financial statements are not issued for the MDD.

b. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines and miscellaneous revenues are considered to be measurable and available only when cash is received by the City.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major governmental fund:

General Fund - The General Fund is the City's primary operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system, sanitation, the sewage treatment plant, sewage pumping stations and collections systems.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, all general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses 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 water and sewer enterprise funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds 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 non-operating revenues and expenses.

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.

c. Deposits and Investments

The City's cash and cash equivalents for purposes of reporting cash flows of the proprietary fund consists of cash on hand and demand deposits. The City considers deposits with an initial maturity of ninety days or less to be cash equivalents.

State statutes authorize the City to invest in obligations of the United States or its agencies and instrumentalities and state or local governments, fully insured certificates of deposit, commercial paper, guaranteed investment contracts, repurchase agreements, and certain governmental investment pools. The City's local investment policy limits the City to invest in obligations of the United States or its agencies and instrumentalities, fully insured certificates of deposit, fully collateralized repurchase agreements by obligations of the United States or its agencies and instrumentalities, money market mutual funds, and local government investment pools.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)}

d. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds."

All accounts receivables are shown along with any applicable allowances for uncollectible accounts. Allowances are estimated based on historical collection trends.

e. Restricted Net Position and Fund Balances

As mandated by applicable third parties, the City's Water and Sewer fund restricts balances for unspent grant proceeds, a bond reserve fund, and also funds for the repayment of principal and interest amounts due in the subsequent year. These balances are classified as restricted net position on the balance sheet. The City's General Fund also restricts any unspent balances related to court security and court technology fees collected.

f. Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, infrastructure, and water and sewer facilities are reported in the applicable governmental or business- type activities columns in the government-wide financial statements. The City has elected not to report major general infrastructure assets retroactively as permitted by GASB Statement No. 34 for smaller governments. The City reports newly acquired or constructed general infrastructure assets subsequent to October 1, 2003 in the statement of net position in the period they acquire or construct those assets.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Capital Assets

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

Assets	Years
Buildings and Improvements	20-40
Machinery and equipment	5-10
Infrastructure	20
Water and sewer systems	20

h. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, in the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

i. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows (inflows) of resources. These separate financial statement elements, deferred outflows (inflows) of resources, represent consumption or addition of net position that apply to future period(s) and so they will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The City has two items that qualify for reporting in these categories, which are the deferred outflow (inflow) of resources related to the defined benefit pension plan and OPEB. The deferred outflows (inflows) of resources related to the defined benefit pension plan and OPEB are reported in the government-wide financial statements and the proprietary-type fund. The deferred outflows of resources result from two transactions: contributions to the defined benefit pension plan and OPEB subsequent to the plan year end through the City's fiscal year end and the variance between the two plans' actual investment earnings compared to the plans' assumed investment earnings.

In addition to the pension plan and OPEB plan deferred balances, the balance sheet for governmental funds also will sometimes report a separate section for unavailable revenue-property taxes. These amounts are deferred and recognized as an inflow of resources in the periods the amount becomes available.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Pension and Other Postemployment Benefit Plan

For the purposes of measuring the net pension liability/asset, 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 to 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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Allocations of pension items to the City's enterprise funds and component units are determined on the basis of employee payroll funding.

The City has another postemployment benefit (OPEB) plan through TMRS (Plan). For purposes of measuring the total OPEB liability of the Plan, deferred outflows of resources and deferred inflows of resources related to the OPEB plan, and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms for the Plan.

k. Equity Classifications

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets - Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted - Consists of assets with constraints placed on the use either by 1) external groups such as creditors, granters, contributors, or laws or regulations of other governments; 2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources, as they are needed.

Unrestricted -All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports governmental fund balances by the five following classifications:

Nonspendable - Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

Restricted - Amounts with restrictions that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes and imposed by formal action of the government's highest level of decision-making authority. In the case of the City, it is the City Council and the formal action would be an ordinance to modify or rescind the commitment.

Assigned - Amounts constrained by City management's intent to be used for specific purposes but are not formally restricted by external resources or committed by City Council.

Unassigned - Amount of the remaining fund balance not in any of the other classifications.

For the classification of fund balances, the City considers restricted amounts to have been spent first when an expenditure is incurred for the purpose for which restricted and unrestricted fund balance is available. Expenditures are to be spent from restricted fund balance first, followed by committed, assigned, and lastly unassigned fund balance.

1. **Budgetary Information**

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to the beginning of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures. Public hearings are conducted at which all interested persons' comments concerning the budget are heard. The budgets are then legally enacted by the City Council. Formal budgetary integration is employed for the general fund. Budgetary control is maintained at the fund level. All annual appropriations lapse at fiscal year-end.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 2- DETAILED NOTE ON ALL FUNDS

a. Deposits and Investments

A summary of the City's cash and cash equivalents follows:

<u>Summary of deposits with financial institutions:</u>	
Primary government cash and cash equivalents	\$ 1,182,736
Less: petty cash	(866)
Deposits with financial institutions (carrying balances)	<u>\$ 1,181,870</u>
<u>Deposits with financial institutions (bank balances)</u>	\$ 1,190,129
Deposits insured by the F.D.I.C	252,650
Securities pledged by the bank depository	937,479
Bank deposits at-risk at September 30, 2021:	<u>\$ -</u>

Interest Rate Risk: In accordance with its investment policy, the City manages its exposure to declines in fair value by: (a) structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, (b) investing operating funds primarily in short-term certificates of deposit, and (c) diversifying maturities and staggering purchase dates to minimize the impact of market movements over time. It is the City's policy not to invest in securities maturing more than two years from the date of purchase. For repurchase agreements, the maximum maturity is 180 days.

Credit Risk: The City's investment policy limits investments in government investment pools and money market mutual funds to those that are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2021, the City has no investments in government investment pools or money market mutual funds.

GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), Reverse Repurchase Agreements," requires governmental entities to categorize their deposits and investments into one of the three credit risk categories. Since all of the City's deposits are fully insured or collateralized by pledged securities, these deposits are categorized in Credit Risk 1.

b. Receivables

Receivables as of year-end for the City's individual funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	M.D.D.	Proprietary Fund	Totals
Property tax	\$ 21,351	\$ -	\$ -	\$ 21,351
Sales tax	18,394	3,558	-	21,952
Other	2,041	-	-	2,041
Unbilled	-	-	8,920	8,920
Utility bills	-	-	72,912	72,912
Gross receivables	41,786	3,558	81,832	127,176
Less: Allowance for uncollectibles	(4,769)	-	(33,500)	(38,269)
Net receivables	<u>\$ 37,017</u>	<u>\$ 3,558</u>	<u>\$ 48,332</u>	<u>\$ 88,907</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 2- DETAILED NOTE ON ALL FUNDS (CONTINUED)

The appraisal of property within the City is the responsibility of the Bell County Appraisal District (the District). The District is required under the Property Tax Code to assess all property within the district on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the district must be reviewed every four years.

The City's property tax is levied each October 1st on the assessed value listed as of the prior January 1 for all real and personal property located in the City. The net assessed value upon which the current year levy was based was \$48,891,587. Taxes are due by January 31, following the October 1 levy date. The tax rate to finance general governmental services for the year ended September 30, 2021 was \$0.43864 per \$100.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

c. Capital Assets

Governmental fund type capital asset activity for the year ended September 30, 2021 is as follows:

	Beginning Balance	Additions	Retirements and Reclasses	Ending Balance
Depreciable assets:				
Park improvements	\$ 196,225	\$ -	\$ -	\$ 196,225
Buildings and improvements	98,960	-	-	98,960
Land improvements and streets	158,800	-	-	158,800
Machinery and equipment	201,977	30,145	-	232,122
Total capital assets being depreciated	655,962	30,145	-	686,107
Less: Accumulated depreciation	(458,567)	(27,632)	-	(486,199)
Total governmental capital assets, net	\$ 197,395	\$ 2,513	\$ -	\$ 199,908

Proprietary fund type capital asset activity for the year ended September 30, 2021 is as follows:

	Beginning Balance	Additions	Retirements and Reclasses	Ending Balance
Nondepreciable assets:				
Land	\$ 207,724	\$ -	\$ -	\$ 207,724
Construction in progress	-	-	-	-
Depreciable assets:				
Buildings and improvements	4,900	-	-	4,900
Machinery and equipment	309,027	15,950	-	324,977
Water and sewer system	4,635,844	-	-	4,635,844
Total capital assets being depreciated	4,949,771	15,950	-	4,965,721
Less: Accumulated depreciation	(2,290,837)	(131,191)	-	(2,422,028)
Proprietary fund capital assets, net	\$ 2,866,658	\$ (115,241)	\$ -	\$ 2,751,417

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 2- DETAILED NOTE ON ALL FUNDS (CONTINUED)

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

<u>Governmental activities:</u>	
General government	\$ 2,149
Public safety and court	20,996
Civic center	325
Streets	2,893
Parks	1,269
Total depreciation expense - governmental activities	<u>\$ 27,632</u>
<u>Business-type activities:</u>	
Water and sewer	<u>\$ 131,191</u>
Total depreciation expense - business-type activities	<u>\$ 131,191</u>

d. Long-Term Debt

A summary of the City's outstanding debt is as follows:

<u>Governmental Activities:</u>							
	Original	Fiscal	Final	Int. Rate	Balance	Due	
Long-term Debt	Amount	Year of	Maturity		September	Within One	
Note payable - Police car	\$ 69,695	2021	2022	3.348%	\$ 69,695	\$ 22,964	
Total Governmental Activities long-term debt:					<u>\$ 69,695</u>	<u>\$ 22,964</u>	
<u>Other Liabilities</u>							
TMRS - Total OPEB liability					\$ 23,064	\$ -	
Total Governmental other liabilities:					<u>23,064</u>	<u>-</u>	
Total Governmental Activities long-term debt and liabilities:					<u>\$ 92,759</u>	<u>\$ 22,964</u>	
<u>Business-Type Activities:</u>							
	Original	Fiscal	Final	Int. Rate	Balance	Due	
Purpose	Amount	Year of	Maturity		September	Within One	
Series 2015 USDA revenue bonds	\$ 663,000	2017	2057	1.375%	\$ 585,000	\$ 13,000	
Note payable - CAT backhoe	62,195	2017	2022	2.950%	2,224	2,224	
Note payable - Smart meters	124,210	2018	2025	4.088%	75,301	17,718	
Note payable - Ford F-350	16,700	2021	2024	3.792%	16,700	5,361	
Note payable - Kubota tractor	\$ 40,000	2020	2026	3.494%	40,000	7,196	
Total Business-Type Activities					<u>\$ 719,225</u>	<u>\$ 45,499</u>	
<u>Other Liabilities</u>							
TMRS - Total OPEB liability					\$ 8,685	\$ -	
Total business-type other liabilities:					<u>8,685</u>	<u>-</u>	
Total Business-Type Activities long-term debt and liabilities:					<u>\$ 727,910</u>	<u>\$ 45,499</u>	
Total long-term debt and liabilities (Governmental-Type and Business-Type Activities)					<u>\$ 820,669</u>	<u>\$ 68,463</u>	

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 2- DETAILED NOTE ON ALL FUNDS (CONTINUED)

d. Long-Term Debt (continued)

Long-term debt activity for the year ended September 30, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities:</u>				
Note payable - Police car	\$ 17,042	\$ -	\$ (17,042)	\$ -
Note payable - Police car	\$ -	\$ 69,695	\$ -	\$ 69,695
Total Governmental activities long-term debt:	\$ 17,042	\$ 69,695	\$ (17,042)	\$ 69,695

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business activities:</u>				
USDA Series 2015 Revenue Bonds	\$ 598,000	\$ -	\$ (13,000)	\$ 585,000
Note payable - CAT backhoe	15,342	-	(13,118)	2,224
Note payable - CRG	3,411	-	(3,411)	-
Note payable - CAT generator	1,910	-	(1,910)	-
Note payable - Kubota tractor	40,000	-	-	40,000
Note payable - Ford F-350	-	16,700	-	16,700
Note payable - Smart meters	92,315	-	(17,014)	75,301
Total Business-activities long-term debt:	\$ 750,978	\$ 16,700	\$ (48,453)	\$ 719,225

Future debt service requirements at September 30, 2021 are as follows:

Fiscal Year	Totals		Governmental Activities		Business-Type Activities	
	Ending	Principal	Interest	Principal	Interest	Principal
2022	\$ 68,463	\$ 15,283	\$ 22,964	\$ 1,582	\$ 45,499	\$ 13,701
2023	68,766	13,540	22,981	1,565	45,785	11,975
2024	70,772	11,341	23,750	795	47,022	10,546
2025	42,305	9,068	-	-	42,305	9,068
2026	22,614	7,767	-	-	22,614	7,767
FY 2027-31	74,000	34,362	-	-	74,000	34,362
FY 2032-36	79,000	29,136	-	-	79,000	29,136
FY 2037-41	84,000	23,568	-	-	84,000	23,568
FY 2042-46	91,000	17,600	-	-	91,000	17,600
FY 2047-51	97,000	11,193	-	-	97,000	11,193
FY 2052-56	91,000	4,318	-	-	91,000	4,318
	\$ 788,920	\$ 177,177	\$ 69,695	\$ 3,942	\$ 719,225	\$ 173,235

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 2- DETAILED NOTE ON ALL FUNDS (CONTINUED)

e. **Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they are current (i.e. expected to be paid in the subsequent year). Since the City's policy is that all employees will use or lose vacation time on their hire anniversary dates, this is considered a current liability and recorded in the City funds. As of September 30, 2021, there is \$7,601 accrued as a payroll liability in the Water and Sewer Fund and \$8,728 in the General Fund.

f. **Property Taxes**

The Tax Appraisal District of Bell County was created by authority of Senate Bill 621 known as the Property Tax Code, of the 66th Legislature of the State of Texas. The District is controlled by a Board of Directors whose members are elected by the governing bodies of various taxing units within Bell County. Under the Property Tax Code, the Appraisal District is required to appraise all real and personal property in Bell County and may provide other services such as preparation of tax rolls and billings and tax collection services. A taxing unit may assess and collect taxes only from the appraisal roll prepared by the Appraisal District. Taxing units are charged a proportionate amount of the District's budget for services rendered the taxing units.

The City has contracted with the Tax Appraisal District of Bell County (Texas) to collect ad valorem taxes on behalf of the City.

g. **Interfund Transfers and Receivables**

Transfers of financial resources among funds are recognized in all funds affected in the accounting period in which the interfund receivable and payable arose. Interfund operating transfers are legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. During the year ended September 30, 2021, there were no interfund transfers.

Interfund balances at September 30, 2021 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and Sewer	\$ 12,066

The interfund balance was created from the Water and Sewer Fund paying for services on behalf of the General Fund.

h. **Restricted Net Position**

The \$154,526 restricted net position in the Water and Sewer Fund is comprised of the following: \$145,079 is unspent restricted grant proceeds, \$7,104 of impact fees, and \$2,343 of other various restrictions.

The \$47,933 restricted net position for governmental-type funds is comprised of the following: \$10,058 restricted for MDD operations, \$12,451 for court security, \$20,246 for court technology, and \$5,178 of other various restrictions.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 3 - OTHER INFORMATION

a. Pension Plan and Other Postemployment Employee Benefits

Pension Plan Description

The City of Holland participates in one of the 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency defined pension plan administered in accordance with the TMRS Act Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member board of trustees. Although the Governor, with 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 publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

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 employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the City were as follows:

Employee Deposit Rate	6.00%
Matching (City to employee)	1.5 to 1
Years for full vesting	5
Service requirement eligibility	
(expressed as age/years of servic	60/5, 0/25
Updated service credit	100% repeating, Transfers
Annuity increase (to retirees)	0% 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	4
Inactive employees entitled to but not yet receiving benefits	2
<u>Active employees</u>	<u>5</u>
Total	11

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 3 - OTHER INFORMATION (CONTINUED)

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 the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Holland were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Holland were 5.75% and 7.08% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$15,105, and were equal to the required contributions.

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%

Overall payroll growth: 2.75% per year

Investment Rate of Return: 6.75%

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, 2020 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 3 - OTHER INFORMATION (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.

The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%

Discount Rate

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

Changes in the Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liab./ (Asset) (a) - (b)
Balances at 12/31/2019:	\$ 649,423	\$ 667,556	\$ (18,133)
Changes for the year:			
Service cost	28,362		28,362
Interest	40,720		40,720
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	(81,668)		(81,668)
Effect of assumptions changes or inputs	-		-
Refund of contributions	-		-
Benefit payments	(120,693)	(120,693)	-
Administrative expenses		(328)	328
Member contributions		14,470	(14,470)
Net investment income		50,722	(50,722)
Employer contributions		16,977	(16,977)
Other changes		(13)	13
Balances at 12/31/2020:	\$ 516,144	\$ 628,691	\$ (112,547)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 3 - OTHER INFORMATION (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability (asset) \$	(62,622)	(112,547)	(155,239)

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

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

For the year ended September 30, 2021, the City recognized pension (income) expense of (\$31,682).

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

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 88,843	\$ -
Changes of assumptions	1,309	-
Net difference between projected and actual earnings	17,871	-
Contributions subsequent to the measurement date	N/A	11,324
Totals:	\$ 108,023	\$ 11,324

Deferred inflows of resources of \$11,324 related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ending September 30, 2022.

Other amounts referred to as outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending:</u>	
2022	\$ (40,831)
2023	(27,727)
2024	(33,874)
2025	(5,591)
2026	-
Thereafter	-
	\$ (108,023)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 3 - OTHER INFORMATION (CONTINUED)

Other Postemployment Employee Benefits - Supplemental Death Benefits Fund

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is another postemployment benefit, or OPEB; additionally, retirees are responsible for 100% of the premiums paid for the benefit. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Contributions

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

The membership at the actuarial valuation and measurement date of December 31, 2020 consists of:

Inactive employees or beneficiaries currently receiving benefits:	4
Inactive employees entitled to buy, but not yet receiving benefits:	0
Active employees:	<u>5</u>
Total:	9

An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statement No. 75. Therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Employees do not contribute to the SDBF. The contribution rates for the City were 0.64% and 0.54% in calendar years 2021 and 2020, respectively.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 3 - OTHER INFORMATION (CONTINUED)

Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2020; actuarial valuation are as follows:

Actuarial Cost Method	Entry Age Normal
Discount Rate	2.00% as of December 31, 2020
	Source: Fidelity Index's "20-Year Municipal GO AA Index"
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Retirees' share of benefit related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. These rates are projected on a fully generational basis with scale UMB.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a four-year set forward for males and a three-year set forward for females. In addition, a 3.5% and a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis By Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions 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.

Sensitivity of the total OPEB liability to changes in the discount rate

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

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB liability \$	\$ 36,788	\$ 31,750	\$ 27,642

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 3 - OTHER INFORMATION (CONTINUED)

Total OPEB Liability

The City's total OPEB liability of \$31,750 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Changes in the Total OPEB Liability	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Total OPEB Liability (a) - (b)
Balances at 12/31/2019:	\$ 27,614	\$ -	\$ 27,614
Changes for the year:			
Service cost	3,618		3,618
Interest	806		806
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	(3,251)		(3,251)
Effect of assumptions changes or inputs	3,156		3,156
Refund of contributions	-		-
Benefit payments	(193)		(193)
Administrative expenses		-	-
Member contributions		-	-
Net investment income		-	-
Employer contributions		-	-
Other changes		-	-
Balances at 12/31/2020:	\$ 31,750	\$ -	\$ 31,750

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 an OPEB expense of \$4,748.

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

Deferred Inflows / Outflows of Resources	Deferred Inflows	Deferred Outflows
	of Resources	of Resources
Difference between expected and actual experience	\$ 3,897	\$ -
Changes of assumptions	-	4,746
Contributions subsequent to the measurement date	N/A	1,260
Totals:	\$ 3,897	\$ 6,006

\$1,260 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 3 - OTHER INFORMATION (CONTINUED)

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

<u>Fiscal Year Ending:</u>	
2022	\$ 324
2023	222
2024	182
2025	121
2026	-
Thereafter	-
	<u>\$ 849</u>

b. Concentrations of Credit Risk and Other Risk Management

Proprietary fund accounts receivable are concentrated within the geographic service area of the utility system, which is within the City of Holland. Those receivables are not concentrated within any individually significant customers. The City requires a deposit from each utility customer prior to establishing service.

The City's risk management program includes coverage for property, general liability, automobile liability, public officials' liability and employee dishonesty bonds. The City participates in the Texas Municipal League joint self-insurance fund, which is a public entity risk pool. The premiums paid to TML result in the transfer of risk to the pool.

c. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition of disclosure through May 23, 2022, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Holland, Texas
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual - General Fund
For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes:				
Property	\$ 194,000	\$ 194,000	\$ 214,280	\$ 20,280
Sales	115,000	115,000	102,277	(12,723)
Franchise	64,700	64,700	56,597	(8,103)
Intergovernmental	-	-	63,635	63,635
Building and other permits	11,850	11,850	26,713	14,863
Court and police	112,920	112,920	282,149	169,229
Other revenue	1,500	1,500	2,300	800
Inspections	2,350	2,350	1,130	(1,220)
Investment earnings	2,500	2,500	2,161	(339)
Donations	2,000	2,000	725	(1,275)
Total revenues	<u>506,820</u>	<u>506,820</u>	<u>751,967</u>	<u>245,147</u>
Expenditures				
Current:				
Public safety and court	207,300	228,800	292,325	(63,525)
General government	143,250	143,250	201,209	(57,959)
Streets	37,500	57,500	35,955	21,545
Library	11,900	11,900	97	11,803
Inspections	6,550	6,550	6,833	(283)
Civic Center	5,800	5,800	3,649	2,151
Parks	1,450	1,450	924	526
Capital outlays	5,000	28,850	30,145	(1,295)
Debt service:				
Principal retirement	16,075	16,075	17,042	(967)
Interest expense	1,000	1,000	676	324
Total expenditures	<u>435,825</u>	<u>501,175</u>	<u>588,856</u>	<u>(87,681)</u>
Excess of revenues over (under) expenditures	70,995	5,645	163,111	157,466
Other financing sources (uses)				
Note proceeds	-	-	69,695	69,695
Sale of capital assets	-	-	160,448	160,448
Total other financing sources(uses)	-	-	230,143	230,143
Net changes in fund balances	70,995	5,645	393,254	387,609
Fund balances - beginning	<u>282,044</u>	<u>282,044</u>	<u>282,044</u>	
Fund balances - ending	<u>\$ 353,039</u>	<u>\$ 287,689</u>	<u>\$ 675,298</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Total Pension Liability							
Service cost	\$ 28,362	\$ 32,949	\$ 30,641	\$ 28,968	\$ 29,162	\$ 24,369	\$ 21,243
Interest on total pension liability	40,720	41,604	41,887	39,698	36,187	33,647	30,210
Effect of plan changes	-	-	-	-	-	-	-
Difference between expected and actual experience	(81,667)	(16,288)	(47,531)	(6,739)	(6)	(4,663)	8,795
Effect of assumptions changes or inputs	-	(2,109)	-	-	-	12,422	-
Benefit payments/Refund of contributions	(120,693)	(13,239)	(47,428)	(13,239)	(13,239)	(12,246)	(13,164)
Net Change in Total Pension Liability	(133,278)	42,917	(22,431)	48,688	52,104	53,529	47,084
Total pension liability, beginning	649,422	606,505	628,936	580,248	528,144	474,615	427,531
Total pension liability, ending	\$ 516,144	\$ 649,422	\$ 606,505	\$ 628,936	\$ 580,248	\$ 528,144	\$ 474,615
Fiduciary Net Position							
Employer contributions	16,977	21,846	20,708	20,339	18,352	14,181	13,795
Member contributions	14,470	16,393	15,321	14,448	14,413	12,475	12,372
Investment income (net of expenses)	50,722	86,156	(17,575)	68,805	30,206	638	22,703
Benefit payments/Refund of contributions	(120,693)	(13,239)	(47,428)	(13,239)	(13,239)	(12,246)	(13,164)
Administrative expenses	(328)	(486)	(339)	(356)	(341)	(388)	(237)
Other	(12)	(16)	(18)	(18)	(18)	(19)	(19)
Net Change in Fiduciary Net Position	(38,864)	110,654	(29,331)	89,979	49,373	14,641	35,450
Fiduciary Net Position, beginning	667,555	556,901	586,232	496,253	446,880	432,239	396,789
Fiduciary Net Position, ending	628,691	667,555	556,901	586,232	496,253	446,880	432,239
Net pension liability / (asset), ending	\$ (112,547)	\$ (18,133)	\$ 49,604	\$ 42,704	\$ 83,995	\$ 81,264	\$ 42,376
Fiduciary net position as a percentage of total pension liability	121.81%	102.79%	91.82%	93.21%	85.52%	84.61%	91.07%
Covered-employee payroll	\$ 241,170	\$ 273,210	\$ 255,344	\$ 240,794	\$ 240,213	\$ 207,923	\$ 206,196
Net pension liability as a percentage of covered payroll	-46.67%	-6.64%	19.43%	17.73%	34.97%	39.08%	20.55%

Note 1 - GASB 68 requires that information on this schedule be presented on the measurement date basis, which is on a calendar year basis. This schedule will also ultimately present the last ten years of information. The measurement year 2014 is the first year for which this information is available.

Note 2 - The discount rate changed from 7.0% to 6.75% in 2015. There were no changes in benefit terms and no changes in assumptions or other inputs that would affect the measurement of the total pension liability during the measurement period.

**CITY OF HOLLAND, TEXAS
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 15,105	\$ 19,465	\$ 22,505	\$ 20,145	\$ 19,740	\$ 17,626	\$ 13,864
Contributions in relation to the contractually required contributions	15,105	19,465	22,505	20,145	19,740	17,626	13,864
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 250,345	\$ 264,913	\$ 279,479	\$ 245,648	\$ 239,807	\$ 237,349	\$ 199,424
Contributions as a percentage of covered employee payroll	6.03%	7.35%	8.05%	8.20%	8.23%	7.43%	6.95%

GASB 68 requires that information on this schedule be presented on the City's fiscal year basis. This schedule will also ultimately present the last ten years of information. 2015 is the first year for which this information is available.

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day 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 27 years

Asset Valuation Method 10 Year smoothed market; 15% soft corridor

Inflation 2.5%

Salary Increases 3.50% to 10.50% 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 2015 valuation pursuant to an experience study of the period 2010 – 2014.

Mortality RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information: There were no benefit changes during the year.

**CITY OF HOLLAND, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Total OPEB Liability				
Service cost	\$ 3,618	\$ 2,158	\$ 1,915	\$ 1,637
Interest on total pension liability	806	883	754	722
Effect of plan changes	-	-	-	-
Difference between expected and actual experience	(3,251)	(1,994)	(235)	-
Effect of assumptions changes or inputs	3,156	3,956	(1,288)	1,404
Benefit payments/Refund of contributions	(193)	(246)	(230)	(193)
Net Change in Total OPEB Liability	<u>4,136</u>	<u>4,757</u>	<u>916</u>	<u>3,570</u>
Total OPEB liability, beginning	<u>27,614</u>	<u>22,857</u>	<u>21,941</u>	<u>18,371</u>
Total OPEB liability, ending	<u>\$ 31,750</u>	<u>\$ 27,614</u>	<u>\$ 22,857</u>	<u>\$ 21,941</u>
Covered payroll	\$ 241,170	\$ 273,210	\$ 255,344	\$ 240,794
Total OPEB liability as a percentage of covered payroll	13.16%	10.11%	8.95%	9.11%

Note 1 - GASB 75 requires that information on this schedule be presented on the measurement date basis, which is on a calendar year basis. This schedule will also ultimately present the last ten years of information. The measurement year 2017 is the first year for which this information is available.

Note 2 - During the 2020 measurement period, there was a change in benefit terms and changes in assumptions as follows: The discount rate for which the OPEB liability is calculated was reduced from 2.75% in prior years to 2.0%.

**CITY OF HOLLAND, TEXAS
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 1,549	\$ 1,315	\$ 1,068	\$ 1,092
Contributions in relation to the contractually required contributions	<u>1,549</u>	<u>1,315</u>	<u>1,068</u>	<u>1,092</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 250,345	\$ 264,913	\$ 279,479	\$ 245,648
Contributions as a percentage of covered employee payroll	0.62%	0.50%	0.38%	0.44%

Note 1 - GASB 75 requires that information on this schedule be presented on the City's fiscal year basis. This schedule will also ultimately present the last ten years of information. 2018 is the first year for which this information is available.

COMPLIANCE AND INTERNAL CONTROLS SECTION

Rod L. Abbott, CPA PLLC

Certified Public Accountant

INDEPENDENT AUDITOR'S 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*

To the City Council and Management of the
City of Holland, Texas

I 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, each major fund, and the aggregate remaining fund information of the City of Holland, Texas (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Holland, Texas's basic financial statements and have issued my report thereon dated May 23, 2022.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.



Rod L. Abbott, CPA PLLC
Tom Bean, Texas
May 23, 2022