



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2022

CITY OF GRAHAM
Year Ended September 30, 2022
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council of the
City of Graham

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Graham, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund budgetary comparison information, Schedule of Funding Progress (OPEB Plan), Schedule of Changes in Net Pension Liability and Related Ratios, Schedules of Changes in Total OPEB Liability and Related Ratios and Schedules of Employer Contributions on pages 4-10 and 50-58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Graham, Texas's basic financial statements. The accompanying combining and individual nonmajor fund financial statements (including the budgetary comparison schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements (including the budgetary comparison schedules) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2023, on our consideration of the City of Graham, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Graham, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Graham, Texas's internal control over financial reporting and compliance.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.
Wichita Falls, Texas
April 25, 2023

FINANCIAL SECTION



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Graham's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2022. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's total net position was \$23,754,830 at September 30, 2022. Of this amount, the City has \$2,071,030 in unrestricted net position.
- During the year, the City's expenses were \$3,261,163 less than the \$19,219,028 generated in taxes and other revenues for governmental programs and business-type activities.
- The general fund reported an unassigned fund balance this year of \$301,889.

Overview of the Financial Statements

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The Management's Discussion and Analysis, Basic Financial Statements, and Required Supplementary Information are the three main components of the City's financial statements. The basic financial statements include the government-wide financial statements, fund financial statements and the notes to the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

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

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

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

In the Statement of Net Position and the Statement of Activities there is the following kind of activity:

- *Governmental Activities* - These are distinct functions of the City that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include the finance and administration, police, fire department, streets, refuse disposal, airport, library, parks and recreation, cemetery, and other services. Property taxes, franchise taxes, and state and federal grants finance most of these activities.
- *Business-type Activities* - These amounts include the water, water supply district, and sewer department activities of the City.
- *Component Units* - The Graham Economic Improvement Corporation, although legally separate, function for all practical purposes as departments of the City.

FUND FINANCIAL STATEMENTS

The fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds – not the City as a whole. 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. For instance, laws and contracts require the City to establish some funds, such as the Debt Service Fund. The City's administration establishes many other funds to help it control and manage money for particular purposes (like the Main Street Fund and Library Fund).

The City has the following kinds of funds:

- *Governmental Funds* - Most of the City's basic services are included in governmental funds, which use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- *Proprietary Funds* - These funds are used to account for the City's ongoing organizations and activities that are similar to those often found in the private sector. The generally accepted accounting principles here are those applicable to similar businesses in the private sector, and the measurement focus is based upon determination of net income, financial position, and cash flows.

Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements and therefore established to finance and account for the acquisition, operation, and maintenance of the City facilities and services that are entirely or predominantly self-supporting by user charges. The City maintains three enterprise funds, which include the sewer, water, and water plant reserve funds.

The sewer fund accounts for revenues and expenses of the operations and maintenance of the sewer system of the City, while the water fund accounts for revenues and expenses of the operation and maintenance of the water system of the City. The Water Plan Reserve Fund is the blended component unit that is an entity legally separate from the City. It is blended with the enterprise fund and reported as part of the City's operations because its purpose is to account for the investments and interest earned in order to fund the construction of the City's water treatment plant.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position of the City's governmental and business-type activities increased by \$3,261,163. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was a balance of \$2,071,030 at September 30, 2022.

Net Position – Comparative September 30, 2022 and September 30, 2021

	Governmental Activities		Business-type Activities		Total	
		*Restated				*Restated
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 4,405,602	\$ 3,340,897	\$15,357,191	\$ 9,029,245	\$19,762,793	\$12,370,142
Capital assets, net	10,165,724	9,436,953	18,988,523	19,162,510	29,154,247	28,599,463
Total assets	<u>14,571,326</u>	<u>12,777,850</u>	<u>34,345,714</u>	<u>28,191,755</u>	<u>48,917,040</u>	<u>40,969,605</u>
Deferred outflows						
Debt refunding	-	-	815,859	-	815,859	-
Pension and OPEB	272,218	961,294	118,764	385,107	390,982	1,346,401
Total outflows of resources	<u>272,218</u>	<u>961,294</u>	<u>934,623</u>	<u>385,107</u>	<u>1,206,841</u>	<u>1,346,401</u>
Long-term liabilities	2,956,584	5,613,505	17,568,027	13,720,859	20,524,611	19,334,364
Other liabilities	609,092	593,546	2,279,962	1,239,059	2,889,054	1,832,605
Total liabilities	<u>3,565,676</u>	<u>6,207,051</u>	<u>19,847,989</u>	<u>14,959,918</u>	<u>23,413,665</u>	<u>21,166,969</u>
Deferred inflows						
Pension and OPEB	2,032,634	451,947	922,752	203,423	2,955,386	655,370
Total inflows of resources	<u>2,032,634</u>	<u>451,947</u>	<u>922,752</u>	<u>203,423</u>	<u>2,955,386</u>	<u>655,370</u>
Net investment in capital assets	9,187,654	7,539,910	7,641,965	7,419,343	16,829,619	14,959,253
Restricted	1,915,953	1,876,646	2,938,228	2,921,068	4,854,181	4,797,714
Unrestricted	(1,858,373)	(2,336,410)	3,929,403	3,073,110	2,071,030	736,700
Total net position	<u>\$ 9,245,234</u>	<u>\$ 7,080,146</u>	<u>\$14,509,596</u>	<u>\$13,413,521</u>	<u>\$23,754,830</u>	<u>\$20,493,667</u>

* In 2022, it was discovered that the balance due from Graham Economic Improvement Corporation to the City of Graham's General Fund was previously overstated in the financial statements. The result of these adjustments can be found in Note 14 of the Notes to the Financial Statements.

Governmental Activities: Governmental and business-type activities increased the net position of the City by \$3,261,163, Key elements of the increase are as follows:

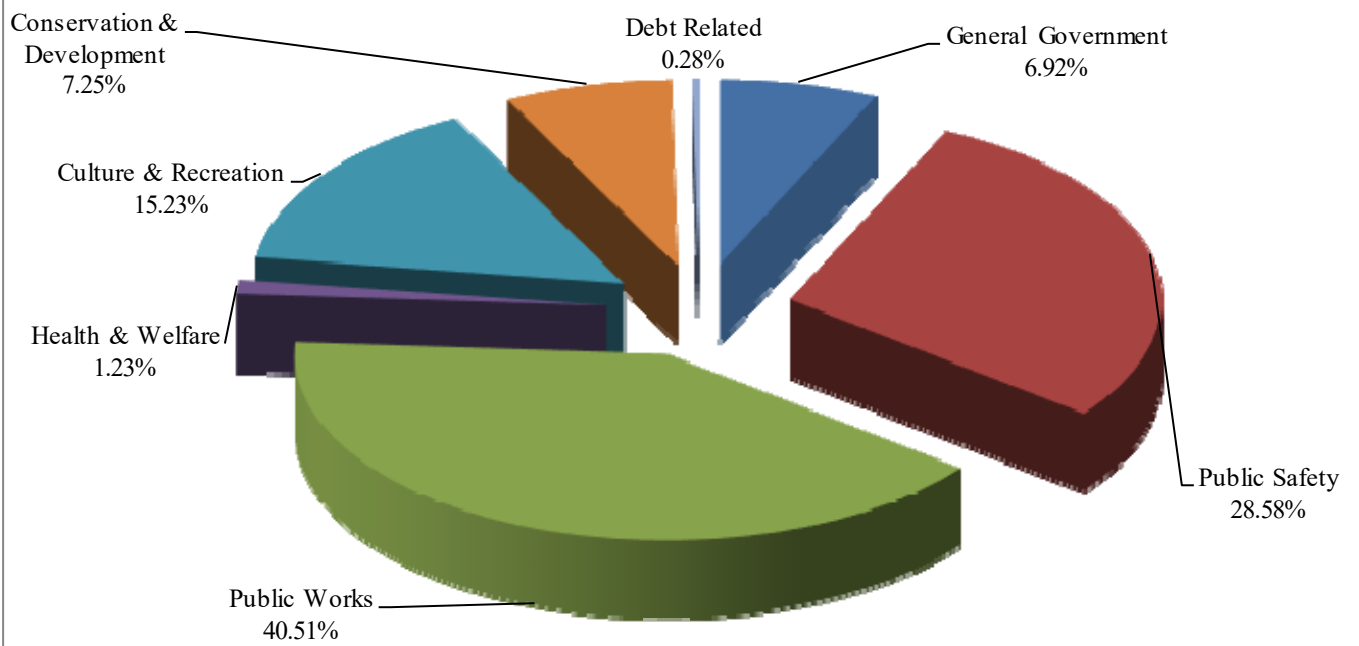
Change in Net Position – Comparative September 30, 2022 and September 30, 2021

	Governmental Activities		Business-type Activities		Total	
	2022	*Restated 2021	2022	2021	2022	*Restated 2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,637,386	\$ 3,516,097	\$ 6,839,564	\$ 5,841,904	\$ 10,476,950	\$ 9,358,001
Operating Grants and Contributions	152,878	476,471	-	-	152,878	476,471
Capital Grants and Contributions	1,491,991	500	-	-	1,491,991	500
General Revenues						
Property Taxes	2,630,663	2,460,344	-	-	2,630,663	2,460,344
Sales & Other Taxes	3,792,612	3,432,094	-	-	3,792,612	3,432,094
Investment Earnings	46,004	7,360	96,918	17,482	142,922	24,842
Miscellaneous	98,275	185,582	432,737	267,886	531,012	453,468
Total Revenue	<u>11,849,809</u>	<u>10,078,448</u>	<u>7,369,219</u>	<u>6,127,272</u>	<u>19,219,028</u>	<u>16,205,720</u>
Expenses:						
General Government	712,942	750,367	-	-	712,942	750,367
Public Safety	2,944,497	3,133,677	-	-	2,944,497	3,133,677
Public Works	4,173,053	3,493,683	-	-	4,173,053	3,493,683
Health & Welfare	127,188	100,896	-	-	127,188	100,896
Culture & Recreation	1,569,184	1,786,511	-	-	1,569,184	1,786,511
Conservation &	746,079	630,318	-	-	746,079	630,318
Debt Related	29,332	25,530	-	-	29,332	25,530
Water Supply District	-	-	88,984	88,984	88,984	88,984
Water	-	-	4,270,716	3,862,967	4,270,716	3,862,967
Sewer	-	-	1,295,890	1,180,753	1,295,890	1,180,753
Total Expenses	<u>10,302,275</u>	<u>9,920,982</u>	<u>5,655,590</u>	<u>5,132,704</u>	<u>15,957,865</u>	<u>15,053,686</u>
Change in net position before transfers	1,547,534	157,466	1,713,629	994,568	3,261,163	1,152,034
Transfers	617,554	598,232	(617,554)	(598,232)	-	-
Net Position - Beginning	7,080,146	6,324,448	13,413,521	13,017,185	20,493,667	19,341,633
Net Position - Ending	<u>\$ 9,245,234</u>	<u>\$ 7,080,146</u>	<u>\$ 14,509,596</u>	<u>\$ 13,413,521</u>	<u>\$ 23,754,830</u>	<u>\$ 20,493,667</u>

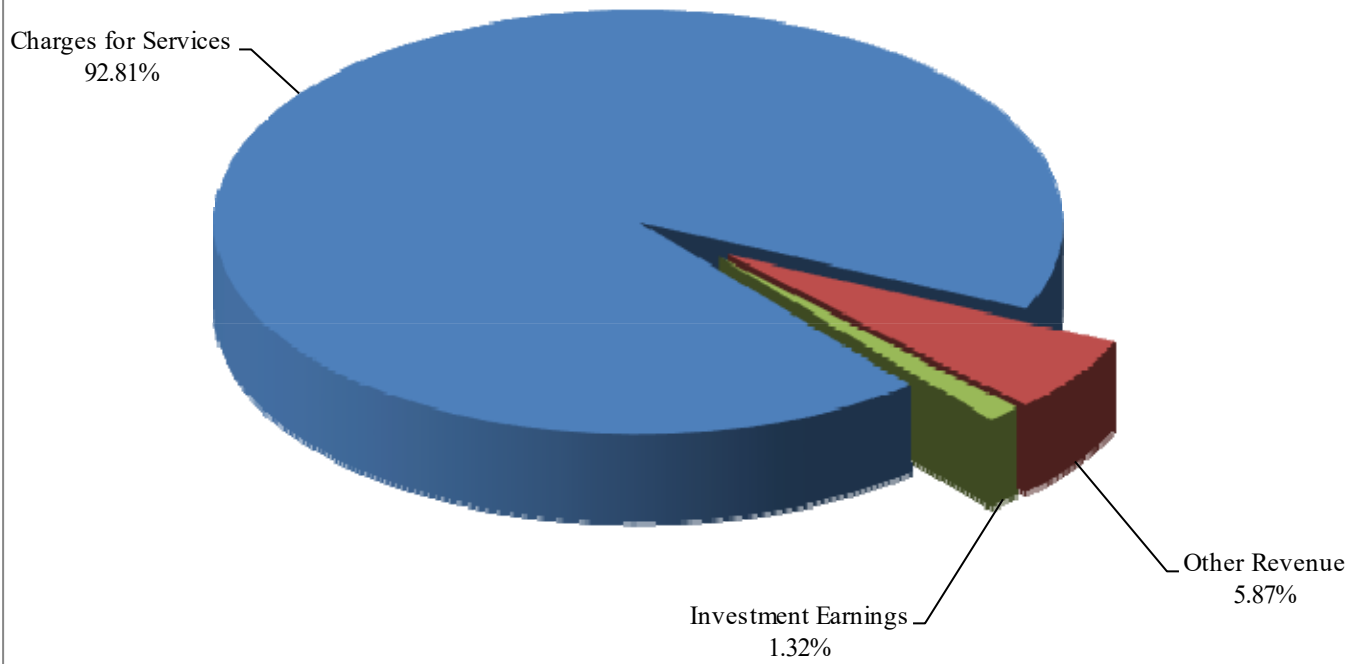
Revenues by Source - Governmental Activities



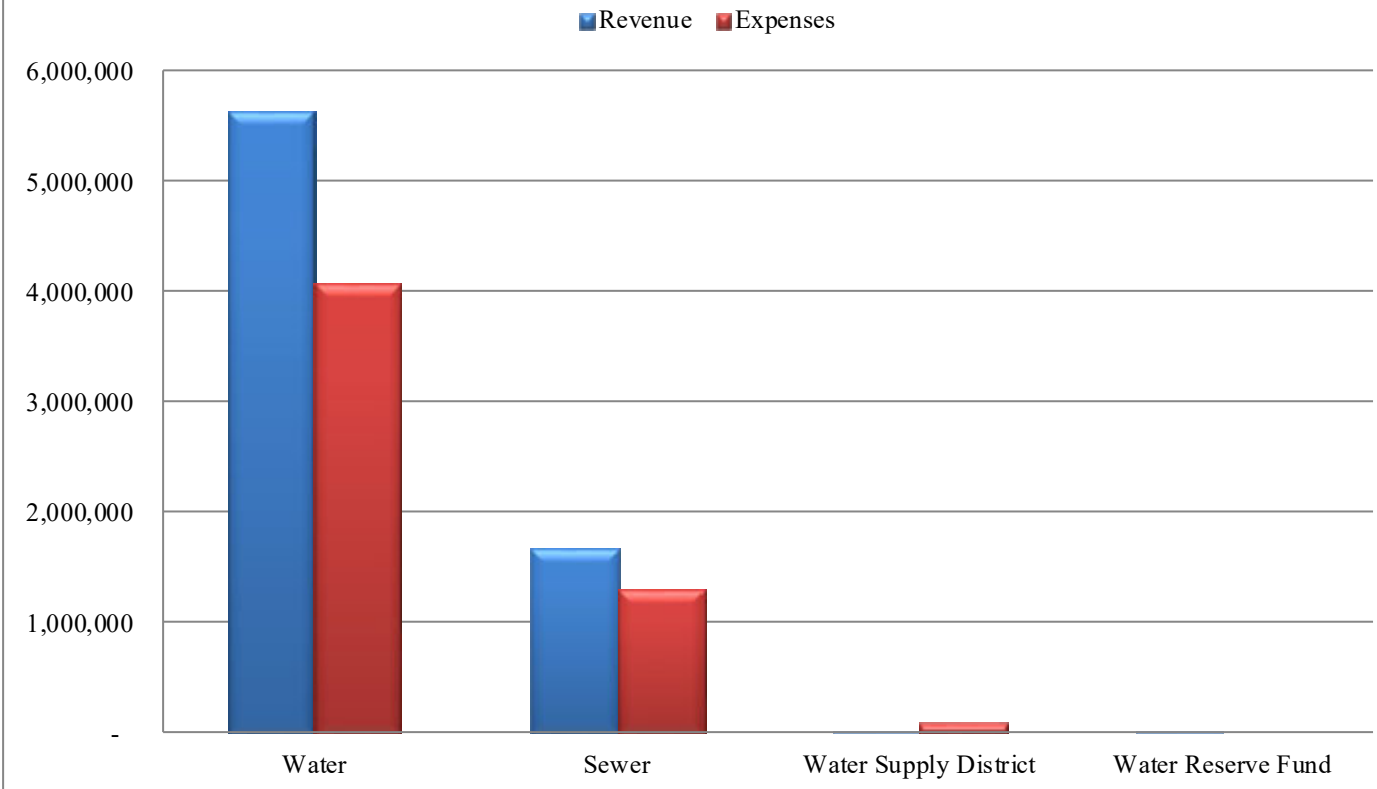
Functional Expenses - Governmental Activities



Revenue by Source - Business-type Activities



Revenue and Expense by Source - Business-type Activities



General Fund Budgetary Highlights

Actual expenditures were \$1,645,993 over final budget amounts, as refuse disposal and capital outlay were more than expected.

Additionally, resources available were \$2,622,880 above the final budgeted amount, as property taxes, sales and use taxes, intergovernmental grants, and charges for services exceeded the budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. At the end of 2022, the City had invested \$29,154,247 in a broad range of capital assets, including land, equipment, buildings and vehicles:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 641,254	\$ 641,254	\$ -	\$ -	\$ 641,254	\$ 641,254
Construction in progress	1,780,981	328,418	484,409	-	2,265,390	328,418
Buildings and Improvements	11,985,344	11,985,344	676,487	676,487	12,661,831	12,661,831
Equipment	8,354,322	8,337,654	1,647,879	1,515,986	10,002,201	9,853,640
Infrastructure	10,795,754	10,795,754	-	-	10,795,754	10,795,754
Leasehold Improvements	31,741	31,741	-	-	31,741	31,741
Distribution and Collection	-	-	35,282,671	35,282,671	35,282,671	35,282,671
Less: Accumulated Depreciation	(23,423,672)	(22,683,212)	(19,102,923)	(18,312,634)	(42,526,595)	(40,995,846)
Capital Assets, net	<u>\$ 10,165,724</u>	<u>\$ 9,436,953</u>	<u>\$ 18,988,523</u>	<u>\$ 19,162,510</u>	<u>\$ 29,154,247</u>	<u>\$ 28,599,463</u>

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

Debt

At year end, the City had \$10,810,000 in general obligation bonds, \$5,030,000 in tax and revenue certificates of obligation payable, financed purchases of \$1,042,543 and notes payable of \$598,470. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2022-23 budget and tax rate, including changes in the local economy. The City's tax appraised value increased by 15%, from \$369,930,841 to \$426,467,958.

These indicators were taken into account when adopting the General Fund budget for 2022-23. A surplus of revenues over expenditures of \$0 was budgeted. Total budgeted expenditures for the City General Fund are \$9,984,810. Total budgeted revenues for the City are \$9,179,394. The City has added no other major new programs or initiatives to the 2022-23 budget.

Property taxes are budgeted to reflect an increase in appraised values and no change in the tax rate to raise additional funds over last year. Conservative sales taxes are budgeted to reflect the slow recovery.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Business Office at: City of Graham, Texas, P. O. Drawer 1449, Graham, Texas 76450.

BASIC FINANCIAL STATEMENTS

CITY OF GRAHAM, TEXAS

Statement of Net Position

September 30, 2022

	Primary Government			Graham Economic Improvement Corporation
	Governmental Activities	Business Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 4,588,801	\$ 9,950,124	\$ 14,538,925	\$ 10,000
Investments	1,423,699	1,737,409	3,161,108	948,815
Receivables, net	1,124,889	856,553	1,981,442	7,800
Internal balances	(2,813,105)	2,813,105	-	-
Due from primary government	-	-	-	108,243
Due from component unit	81,318	-	81,318	-
Capital assets				
Land and construction in progress	2,422,235	484,409	2,906,644	-
Other capital assets, net	7,743,489	18,504,114	26,247,603	2,054,829
Total Assets	14,571,326	34,345,714	48,917,040	3,129,687
DEFERRED OUTFLOWS OF RECOURCES				
Deferred outflows - pensions	224,408	98,681	323,089	-
Deferred outflows - OPEB	47,810	20,083	67,893	-
Deferred charges for refunding	-	815,859	815,859	-
Total outflows of resources	272,218	934,623	1,206,841	-
LIABILITIES				
Accounts payable and accrued expenses	335,341	78,096	413,437	8,315
Intergovernmental payable	140,731	-	140,731	-
Unearned revenue	12,652	2,114,153	2,126,805	-
Accrued interest payable	12,125	87,713	99,838	-
Due to component units	108,243	-	108,243	-
Due to primary government	-	-	-	81,318
Noncurrent liabilities				
Due within one year	604,808	1,160,863	1,765,671	33,192
Due in more than one year	498,278	15,601,854	16,100,132	676,609
Net Pension Obligation	259,696	115,805	375,501	-
Total OPEB Liability	1,593,802	689,505	2,283,307	-
Total Liabilities	3,565,676	19,847,989	23,413,665	799,434
DEFERRED INFLOWS OF RECOURCES				
Deferred inflows - pensions	801,498	369,064	1,170,562	-
Deferred inflows - OPEB	1,231,136	553,688	1,784,824	-
Total inflows of resources	2,032,634	922,752	2,955,386	-
NET POSITION				
Net investment in capital assets	9,187,654	7,641,965	16,829,619	1,378,220
Restricted for:				
Capital improvements	-	2,938,228	2,938,228	-
Tourism	406,546	-	406,546	-
Municipal court and law enforcement	69,887	-	69,887	-
Grants and library	-	-	-	-
Debt service	1,025,872	-	1,025,872	-
Other	16,488	-	16,488	-
Cemetery (nonexpendable)	397,160	-	397,160	-
Unrestricted	(1,858,373)	3,929,403	2,071,030	952,033
Total Net Position	\$ 9,245,234	\$ 14,509,596	\$ 23,754,830	\$ 2,330,253

The accompanying notes are an integral part of these financial statements

CITY OF GRAHAM, TEXAS

Statement of Activities

Year Ended September 30, 2022

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 712,942	\$ 295,365	\$ -	\$ 58,339
Public safety	2,944,497	66,457	25,220	-
Public works	4,173,053	2,382,679	-	1,433,652
Health and welfare	127,188	-	-	-
Culture and recreation	1,569,184	423,168	127,658	-
Conservation and development	746,079	469,717	-	-
Interest on Long-Term Debt	29,332	-	-	-
Total Governmental Activities	10,302,275	3,637,386	152,878	1,491,991
Business Type Activities				
Water fund	4,270,716	5,424,665	-	-
Sewer fund	1,295,890	1,414,899	-	-
Graham Water Supply District	88,984	-	-	-
Total Business Type Activities	5,655,590	6,839,564	-	-
Total Primary Government	\$ 15,957,865	\$ 10,476,950	\$ 152,878	\$ 1,491,991
Component Unit				
Graham Economic Improvement Corp.	262,443	\$ -	\$ -	\$ -
Total Component Units	\$ 262,443	\$ -	\$ -	\$ -

General Revenues and Transfers

Property Taxes, Levied for General Purposes
 Sales Tax
 Franchise Tax
 Other Taxes
 Penalty and Interest
 Miscellaneous
 Gain (loss) on Sale of Assets
 Investment Income
 Transfers
 Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Graham Economic Improvement Corp.
\$ (359,238)		\$ (359,238)	
(2,852,820)		(2,852,820)	
(356,722)		(356,722)	
(127,188)		(127,188)	
(1,018,358)		(1,018,358)	
(276,362)		(276,362)	
(29,332)		(29,332)	
<u>(5,020,020)</u>		<u>(5,020,020)</u>	
	\$ 1,153,949	1,153,949	
	119,009	119,009	
	<u>(88,984)</u>	<u>(88,984)</u>	
	<u>1,183,974</u>	<u>1,183,974</u>	
	<u>1,183,974</u>	<u>(3,836,046)</u>	
			\$ <u>(262,443)</u>
			<u>(262,443)</u>
2,630,663	-	2,630,663	-
2,881,936	-	2,881,936	597,473
574,774	-	574,774	-
308,334	-	308,334	-
27,568	-	27,568	-
23,112	435,879	458,991	135,783
75,163	(3,142)	72,021	-
46,004	96,918	142,922	1,887
617,554	(617,554)	-	-
<u>7,185,108</u>	<u>(87,899)</u>	<u>7,097,209</u>	<u>735,143</u>
2,165,088	1,096,075	3,261,163	472,700
<u>7,080,146</u>	<u>13,413,521</u>	<u>20,493,667</u>	<u>1,857,553</u>
<u>\$ 9,245,234</u>	<u>\$ 14,509,596</u>	<u>\$ 23,754,830</u>	<u>\$ 2,330,253</u>

The accompanying notes are an integral part of these financial statements

CITY OF GRAHAM, TEXAS
Balance Sheet - Governmental Funds
September 30, 2022

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,555,779	\$ 2,033,022	\$ 4,588,801
Investments	40,460	1,383,239	1,423,699
Taxes receivable	748,611	7,247	755,858
Allowance for uncollectible taxes	(26,913)	(1,450)	(28,363)
Receivables (net of allowances for uncollectables)	397,394	-	397,394
Due from component unit	81,318	-	81,318
Due from other funds	546,862	615,826	1,162,688
	<u>\$ 4,343,511</u>	<u>\$ 4,037,884</u>	<u>\$ 8,381,395</u>
Total Assets			
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable and other accrued expenses	\$ 335,241	\$ 100	\$ 335,341
Intergovernmental payable	140,731	-	140,731
Unearned revenue	12,652	-	12,652
Due to other funds	3,235,293	740,500	3,975,793
Due to component unit	108,243	-	108,243
Total Liabilities	<u>3,832,160</u>	<u>740,600</u>	<u>4,572,760</u>
Deferred Inflows of Resources			
Deferred property taxes	54,817	5,796	60,613
Deferred municipal court fines	130,053	-	130,053
Deferred grant revenue	24,592	-	24,592
Total Deferred Inflows of Resources	<u>209,462</u>	<u>5,796</u>	<u>215,258</u>
Fund Balance			
Nonspendable	-	397,160	397,160
Restricted	-	1,518,793	1,518,793
Assigned	-	1,484,259	1,484,259
Unassigned	301,889	(108,724)	193,165
	<u>301,889</u>	<u>3,291,488</u>	<u>3,593,377</u>
Total Fund Balance			
	<u>\$ 4,343,511</u>	<u>\$ 4,037,884</u>	<u>\$ 8,381,395</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance			

The accompanying notes are an integral part of these financial statements

CITY OF GRAHAM, TEXAS
 Reconciliation of the Governmental Funds Balance Sheet
 To the Statement of Net Position
 September 30, 2022

Total Fund Balances - Governmental Funds \$ 3,593,377

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 10,165,724

Some long-term liabilities and related assets are not due and payable in the current period and therefore are not reported in the funds. Those assets and liabilities at year-end consist of:

Compensated absences	\$ (125,016)	
Bonds, notes, and capital leases payable	<u>(978,070)</u>	(1,103,086)

Interest payable on bonds is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. (12,125)

Certain assets, such as property taxes receivable, municipal court fines receivable, and grants receivable, are not available to pay for current-period expenditures and are therefore deferred in the governmental funds. Unearned revenue recognized in the government-wide financial statements results in a net increase to net position. 215,258

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

Net pension liability	(259,696)	
Deferred outflows of resources from pensions	224,408	
Deferred inflows of resources from pensions	<u>(801,498)</u>	(836,786)

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

Total OPEB liability	(1,593,802)	
Deferred outflows of resources from OPEB	47,810	
Deferred inflows of resources from OPEB	<u>(1,231,136)</u>	<u>(2,777,128)</u>

Net Position of Governmental Activities \$ 9,245,234

CITY OF GRAHAM, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended September 30, 2022

	General Fund	Other Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 6,081,023	\$ 343,977	\$ 6,425,000
Licenses and permits	78,280	-	78,280
Intergovernmental revenue and grants	1,427,095	-	1,427,095
Charges for services	2,610,311	5,673	2,615,984
Fines	116,193	-	116,193
Rents and royalties	73,806	-	73,806
Contributions and donations from private sources	195,245	40,000	235,245
Other revenue	387,129	369,764	756,893
Investment earnings	16,897	29,106	46,003
Total revenues	<u>10,985,979</u>	<u>788,520</u>	<u>11,774,499</u>
EXPENDITURES			
Current			
General government	644,467	47,284	691,751
Public safety	2,957,613	-	2,957,613
Public works	3,819,090	-	3,819,090
Health and welfare	123,935	-	123,935
Culture and recreation	1,275,673	-	1,275,673
Conservation and development	140,140	589,080	729,220
Debt service			
Principal	323,721	-	323,721
Interest	29,131	-	29,131
Capital outlay	1,823,471	12,400	1,835,871
Total expenditures	<u>11,137,241</u>	<u>648,764</u>	<u>11,786,005</u>
(Deficiency) Excess of Revenue over Expenditures	<u>(151,262)</u>	<u>139,756</u>	<u>(11,506)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of long-term debt	420,537	-	420,537
Proceeds from the sale of capital assets	28,172	-	28,172
Transfers In	908,850	208,119	1,116,969
Transfers Out	(208,119)	(291,296)	(499,415)
Total Other Financing Sources (Uses)	<u>1,149,440</u>	<u>(83,177)</u>	<u>1,066,263</u>
Net Change in Fund Balance	998,178	56,579	1,054,757
Fund Balance - October 1 (Beginning), as restated	<u>(696,289)</u>	<u>3,234,909</u>	<u>2,538,620</u>
Fund Balance - September 30 (Ending)	<u>\$ 301,889</u>	<u>\$ 3,291,488</u>	<u>\$ 3,593,377</u>

The accompanying notes are an integral part of these financial statements

CITY OF GRAHAM, TEXAS
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balance to the Statement of Activities
 September 30, 2022

Total Net Change in Fund Balance - Governmental Funds \$ 1,054,757

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

Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. 1,835,871

Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. (1,107,100)

Proceeds from sale of assets are recorded in the fund financial statements but are reduced by the net book value of those assets in the government-wide financial statements. 46,115

Issuance of notes payable and capital leases are reported as other financing sources in the fund financial statements but are shown as long term liabilities in the government-wide financial statements. (420,537)

Principal payments are expenditures in the fund financial statements, but they are shown as reductions in long-term debt in the government-wide financial statements. 323,721

Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. 674

The commitment from the component unit to provide funding in the future does not provide a current financial resource, but payments made under that commitment do provide a current resource. The City received this payment this year.

Changes in accrued compensated absences are not reported as an expenditure in the governmental funds, but changes long-term liabilities in the statement of net position. Accrued compensated absences changed by this amount this year. 6,975

Long-term liabilities and deferred outflows and inflows for other postemployment benefit obligations are accrued in the government-wide financial statements, but are not reported in the fund financial statements. 163,828

Long-term liabilities and deferred outflows and inflows of resources for pensions are accrued in the government-wide financial statements, but are not reported in the fund financial statements. 267,056

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current year revenue recognized in the government-wide financial statements results in an increase in net position. (6,272)

Change in Net Position of Governmental Activities \$ 2,165,088

The accompanying notes are an integral part of these financial statements

CITY OF GRAHAM, TEXAS
Statement of Net Position - Proprietary Funds
September 30, 2022

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Graham Water Supply District
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 3,372,214	\$ 1,253,852	\$ 498,304
Investments	327,965	232,534	573,805
Accounts receivables -net	691,175	165,378	-
Due from other funds	930,103	78,500	819
Total Current Assets	<u>5,321,457</u>	<u>1,730,264</u>	<u>1,072,928</u>
Noncurrent Assets			
Capital assets			
Constructions in progress	291,650	192,759	-
Other capital assets, net	16,979,838	730,836	793,440
Total Noncurrent Assets	<u>17,271,488</u>	<u>923,595</u>	<u>793,440</u>
Total Assets	<u>22,592,945</u>	<u>2,653,859</u>	<u>1,866,368</u>
DEFERRED OUTFLOWS OF RECOURCES			
Deferred outflows - pensions	63,237	35,444	-
Deferred outflows - OPEB	12,797	7,286	-
Deferred charges for refunding	815,859	-	-
Total Deferred Outflows of Resources	<u>891,893</u>	<u>42,730</u>	<u>-</u>
LIABILITIES			
Current Liabilities			
Accounts payable and other liabilities	44,835	33,261	-
Due to other funds	8,900	1,261,615	-
Accrued interest payable	87,713	-	-
Unearned revenue	-	-	-
Bonds payable	825,000	-	-
Financed purchases and notes payable-current	301,438	34,425	-
Total Current Liabilities	<u>1,267,886</u>	<u>1,329,301</u>	<u>-</u>
Non Current Liabilities:			
Bonds payable	10,515,000	-	-
Financed purchases and notes payable	108,648	218,432	-
Compensated absences	33,288	19,578	-
Customer meter deposits	23,830	-	-
Net pension liability	73,974	41,831	-
Total OPEB liability	456,123	233,382	-
Total Noncurrent Liabilities	<u>11,210,863</u>	<u>513,223</u>	<u>-</u>
Total Liabilities	<u>12,478,749</u>	<u>1,842,524</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	222,087	146,977	-
Deferred inflows - OPEB	369,635	184,053	-
Total Deferred Inflows of Resources	<u>591,722</u>	<u>331,030</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	6,337,261	670,738	793,440
Restricted for capital improvements	-	-	1,072,928
Unrestricted net assets	4,077,106	(147,703)	-
Total Net Position	<u>\$ 10,414,367</u>	<u>\$ 523,035</u>	<u>\$ 1,866,368</u>

The accompanying notes are an integral part of these financial statements

Water Plant Reserve Fund	Water Capital Improvements	Sewer Capital Improvements	Total Enterprise Funds
\$ 302,150	\$ 4,523,604	\$ -	\$ 9,950,124
603,105	-	-	1,737,409
-	-	-	856,553
960,864	1,072,427	1,041,726	4,084,439
<u>1,866,119</u>	<u>5,596,031</u>	<u>1,041,726</u>	<u>16,628,525</u>
-	-	-	484,409
-	-	-	18,504,114
-	-	-	18,988,523
<u>1,866,119</u>	<u>5,596,031</u>	<u>1,041,726</u>	<u>35,617,048</u>
-	-	-	98,681
-	-	-	20,083
-	-	-	815,859
-	-	-	934,623
-	-	-	78,096
819	-	-	1,271,334
-	-	-	87,713
-	1,072,427	1,041,726	2,114,153
-	-	-	825,000
-	-	-	335,863
<u>819</u>	<u>1,072,427</u>	<u>1,041,726</u>	<u>4,712,159</u>
-	4,683,078	-	15,198,078
-	-	-	327,080
-	-	-	52,866
-	-	-	23,830
-	-	-	115,805
-	-	-	689,505
-	<u>4,683,078</u>	-	<u>16,407,164</u>
<u>819</u>	<u>5,755,505</u>	<u>1,041,726</u>	<u>21,119,323</u>
-	-	-	369,064
-	-	-	553,688
-	-	-	922,752
-	(159,474)	-	7,641,965
1,865,300	-	-	2,938,228
-	-	-	3,929,403
<u>\$ 1,865,300</u>	<u>\$ (159,474)</u>	<u>\$ -</u>	<u>\$ 14,509,596</u>

The accompanying notes are an integral part of these financial statements

CITY OF GRAHAM, TEXAS
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
Year Ended September 30, 2022

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Graham Water Supply District
OPERATING REVENUE			
Charges for Water Services	\$ 5,424,665	\$ -	\$ -
Charges for Sewer Services	-	1,414,899	-
Rents and Royalties	93,036	-	-
Other Revenue	91,633	250,075	-
Total Operating Revenues	<u>5,609,334</u>	<u>1,664,974</u>	<u>-</u>
OPERATING EXPENSES			
Personal Services - Salaries and Wages	776,741	436,002	-
Personal Services - Employee Benefits	404,888	132,413	-
Purchased Professional and Technical Services	117,499	25,173	-
Purchased Property Services	230,698	276,868	-
Other Operating Expenses	382,166	106,686	-
Supplies	738,027	227,207	-
Depreciation	783,478	86,996	88,984
Total Operating Expenses	<u>3,433,497</u>	<u>1,291,345</u>	<u>88,984</u>
Operating Income (Loss)	<u>2,175,837</u>	<u>373,629</u>	<u>(88,984)</u>
NONOPERATING REVENUES (EXPENSES)			
Loss on disposition of assets	(2,500)	(642)	-
Investment Earnings	33,716	11,374	9,835
Interest Expense	(315,789)	(4,545)	-
Bond issue costs	(326,153)	-	-
Total Nonoperating Revenues (Expenses)	<u>(610,726)</u>	<u>6,187</u>	<u>9,835</u>
Income (Loss) Before Transfers	<u>1,565,111</u>	<u>379,816</u>	<u>(79,149)</u>
Transfers in	-	-	-
Transfers out	(503,780)	(113,774)	-
Change in Net Position	<u>1,061,331</u>	<u>266,042</u>	<u>(79,149)</u>
Total Net Position - October 1	<u>9,353,036</u>	<u>256,993</u>	<u>1,945,517</u>
Total Net Position - September 30	<u>\$ 10,414,367</u>	<u>\$ 523,035</u>	<u>\$ 1,866,368</u>

The accompanying notes are an integral part of these financial statements

Water Plant Reserve Fund	Water Capital Improvements	Sewer Capital Improvements	Total Enterprise Funds
\$ -	\$ -	\$ -	\$ 5,424,665
-	-	-	1,414,899
-	-	-	93,036
-	1,135	-	342,843
-	1,135	-	7,275,443
-	-	-	1,212,743
-	-	-	537,301
-	-	-	142,672
-	-	-	507,566
-	-	-	488,852
-	-	-	965,234
-	-	-	959,458
-	-	-	4,813,826
-	1,135	-	2,461,617
-	-	-	(3,142)
7,325	34,668	-	96,918
-	-	-	(320,334)
-	(195,277)	-	(521,430)
7,325	(160,609)	-	(747,988)
7,325	(159,474)	-	1,713,629
-	-	-	-
-	-	-	(617,554)
7,325	(159,474)	-	1,096,075
1,857,975	-	-	13,413,521
\$ 1,865,300	\$ (159,474)	\$ -	\$ 14,509,596

The accompanying notes are an integral part of these financial statements

CITY OF GRAHAM, TEXAS
Statement of Cash Flows - Proprietary Funds
Year Ended September 30, 2022

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Water Fund</u>	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 5,488,888	\$ 1,401,177
Cash received from other sources	93,036	355,554
Cash payment for operating expenses	(2,775,598)	(1,299,308)
Net cash provided by operating activities	<u>2,806,326</u>	<u>457,423</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash paid to other funds	(503,780)	(113,774)
Cash loaned to other funds	-	(26,479)
Net cash used by noncapital financing activities	<u>(503,780)</u>	<u>(140,253)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(448,312)	(358,551)
Proceeds from the sale of fixed assets	11,750	6,500
Proceeds from notes payable and capital leases	209,077	163,670
Bond issue costs	(326,153)	-
Interest paid on long-term debt	(315,789)	(4,545)
Principal paid on long-term debt	(905,338)	(23,492)
Net cash used for capital and related financing activities	<u>(1,774,765)</u>	<u>(216,418)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	33,716	11,374
Change in pooled investments	(2,893)	969,505
Net cash provided by investing activities	<u>30,823</u>	<u>980,879</u>
Net increase in cash and cash equivalents	558,604	1,081,631
Cash and cash equivalents - October 1	<u>2,813,610</u>	<u>172,221</u>
Cash and cash equivalents - September 30	<u>\$ 3,372,214</u>	<u>\$ 1,253,852</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 2,175,837	\$ 373,629
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	783,478	86,996
(Increase) decrease in current assets and deferred outflows:		
Receivables	(27,410)	(13,722)
Deferred outflows	175,953	90,390
Increase (decrease) in current liabilities and deferred inflows:		
Accounts payable	(51,420)	35,180
Accrued expenses	11,195	-
Net pension liability	(250,153)	(139,747)
OPEB	(476,605)	(222,111)
Customer meter deposits	(7,512)	-
Compensated absences	(1,140)	1,582
Deferred inflows	474,103	245,226
Net cash provided by operating activities	<u>\$ 2,806,326</u>	<u>\$ 457,423</u>

The accompanying notes are an integral part of these financial statements

Graham Water Supply District	Water Plant Reserve Fund	Water Capital Improvements	Sewer Capital Improvements	Total Enterprise Funds
\$ -	\$ -	\$ -	\$ -	\$ 6,890,065
-	-	1,135	-	449,725
-	-	-	-	(4,074,906)
-	-	1,135	-	3,264,884
-	-	-	-	(617,554)
-	-	-	-	(26,479)
-	-	-	-	(644,033)
-	-	-	-	(806,863)
-	-	-	-	18,250
-	-	4,683,078	-	5,055,825
-	-	(195,277)	-	(521,430)
-	-	-	-	(320,334)
-	-	-	-	(928,830)
-	-	4,487,801	-	2,496,618
9,835	7,325	34,668	-	96,918
(5,213)	(4,659)	-	-	956,740
4,622	2,666	34,668	-	1,053,658
4,622	2,666	4,523,604	-	6,171,127
493,682	299,484	-	-	3,778,997
\$ 498,304	\$ 302,150	\$ 4,523,604	\$ -	\$ 9,950,124
\$ (88,984)	\$ -	\$ 1,135	\$ -	\$ 2,461,617
88,984	-	-	-	959,458
-	-	-	-	(41,132)
-	-	-	-	266,343
-	-	-	-	(16,240)
-	-	-	-	11,195
-	-	-	-	(389,900)
-	-	-	-	(698,716)
-	-	-	-	(7,512)
-	-	-	-	442
-	-	-	-	719,329
\$ -	\$ -	\$ 1,135	\$ -	\$ 3,264,884

The accompanying notes are an integral part of these financial statements

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 1: Reporting Entity

The City of Graham (the City) was founded in 1872. The City operates under the Council-Manager form of government adopted by a home rule charter approved March 3, 1893. The City provides a full range of municipal services including public safety (police and fire), highway and streets, sanitation, culture and recreation, health and social services, public improvement, planning and zoning, and general administrative services. In addition, the City provides water and sewer service as a proprietary function of the City.

The accounting policies of the City of Graham, conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City of Graham is a home rule municipality governed by an elected mayor and a four member City Council who appoint a City Manager. The City's financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, as amended by GASB No. 61 *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Blended Component Unit

The Graham Water Supply District (GWSD), an entity legally separate from the City, is governed by a five member board appointed by the City Council. The GWSD is reported as an enterprise fund.

Discretely Presented Component Units

The Graham Economic Improvement Corporation (GEIC) is responsible for promoting and assisting economic development activities in the City. The GEIC is to cover any operating deficits of the Young County Arena by making an annual transfer to the City's arena special revenue fund. Therefore, this seven member board, who is appointed by the governing body of the City, is responsible for promoting and assisting economic improvement activities in the City. The GEIC is presented as a nonmajor enterprise fund type.

Note 2: Summary of Significant Accounting Policies

The accounting and reporting policies of the City conform to U.S. generally accepted accounting principles (GAAP) applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the GASB, which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB.

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 activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Net Position reports the assets and liabilities of the primary government. The net position section of this statement represents the residual amount of assets less their associated liabilities. The net position section is divided into three categories. The first category is Invested in Capital Assets, Net of Related Debt, which includes all capital assets, net of accumulated depreciation, less any debt outstanding associated with the assets. Capital assets cannot readily be sold and converted into cash.

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 2: Summary of Significant Accounting Policies – continued

The second category is Restricted Net Position, which includes those assets, net of their related debt, that have a constraint placed on their use. The constraints are either 1) externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws and regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The final section is Unrestricted Net Position, and this represents net position that generally can be used for any purpose. However, they are not necessarily in a spendable form, like cash.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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*.

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

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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the City.

Additionally, the government reports the following nonmajor governmental fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted or assigned to expenditures for specified purposes.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of and use of property and sales tax revenue to meet the debt service requirements of the City's general and revenue bonded debt.

Permanent Fund – The City uses this fund to account for non-expendable trust arrangements where the principal may not be spent, and the earnings must be spent for a particular purpose. This fund is used to report the activity of the Cemetery Fund.

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 2: Summary of Significant Accounting Policies – continued

Proprietary funds are those used to account for the City's ongoing organizations and activities which are similar to those found in the private sector. The measurement focus is upon capital maintenance and upon determination of net position and changes in net position.

The government reports the following major proprietary funds:

The *Water Plant Reserve Fund* accounts for the investments and interest earned in order to fund the construction of the City's water treatment plant.

The *Water Fund* accounts for the activities of the City's water distribution operations.

The *Sewer Fund* accounts for the activities of the City's sewage collection operations.

The *Graham Water Supply District Fund* accounts for the activities of the GWSD, a blended component unit of the City. Its purpose is to finance and construct the City's water treatment plant.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expense for 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 nonoperating revenues and expenses.

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

Stewardship, Compliance, and Accountability

Budgetary Information

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

The City Manager submits to City Council (the Council) a proposed budget.

The Council holds a public hearing on the budget submitted and all interested persons are given an opportunity to be heard for or against any item or the amount of any item contained therein.

After the conclusion of the public hearing, the Council may insert new items or may increase or decrease the items of the budget, except items in proposed expenditures fixed by law, but where it increases the total proposed expenditures, it also provides for an increase in the total anticipated revenue to at least equal such total proposed expenditures.

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 2: Summary of Significant Accounting Policies – continued

The budget is adopted by a majority vote of the members of the whole Council.

The budget must be adopted no later than the September 30th. Should the Council take no final action on or prior to such day, the budget as submitted by the City Manager shall be deemed to have been finally adopted by the Council.

The City Manager may at any time transfer any unencumbered appropriation balance or portion thereof between general classifications of expenditures within an office, department or agency. Therefore, expenditures should not exceed appropriations at the “agency” level (i.e., general government, public safety, public works, culture and recreation, and debt service). The Council may transfer any unencumbered appropriation balance or portion thereof from one office, department or agency to another through formal budget amendments. Unencumbered appropriations lapse at year-end.

Annual budgets are prepared for the general fund. Annual budgets are also prepared for water and sewer proprietary funds.

Budgets for the general fund are prepared and adopted on a basis of accounting under which encumbered amounts at year-end are shown as additions to expenditures for budget purposes in the year in which encumbered. This basis of accounting is used for budgetary reports to determine compliance with budget requirements and is not intended to represent GAAP. The annual budgets for the proprietary fund types are also prepared on a basis other than GAAP. The differences are that depreciation is not budgeted, and capital outlay is budgeted in addition to the fact that encumbrances are included for budget purposes.

Use of Estimates

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

Assets, Liabilities, and Net Position or Equity

Deposits and Investments

For purposes of the statement of cash flows, the City’s cash and cash investments are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less from the date of acquisition. The City pools cash resources of its various funds to facilitate the management of cash. Management can readily identify cash applicable to a particular fund. The balance in the pooled cash accounts is available to meet current operating requirements. The depository bank pays the City interest on all funds on deposit.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short-term investments are stated at cost or amortized cost.

Inventories

The City generally does not report inventories of supplies such as consumable maintenance, office, and water and sewer inventory items due to the value of these items on hand at any given date being deemed immaterial. The City had no material inventories as of September 30, 2022.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/due from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 2: Summary of Significant Accounting Policies – continued

Receivables and Payables – continued

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the City based on January 1 property values as assessed by the Graham County Central Appraisal District. Taxes are due, without penalty, by January 31, of the next calendar year. After January 31, the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 but are charged to operations as incurred. Improvements and betterments which materially extend the useful lives of capital assets are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Contributions of capital assets from external sources are recorded as capital contribution revenue.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings	30 years
Improvements other than building	40 years
Machinery and equipment	10 years
Office equipment	10 years
Vehicles	7 years

Compensated Absences

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Time off, other than sick leave, is to be taken as vacation or is paid out upon termination. Compensated absences are reported in the government wide financial statements.

Sick leave accrues to employees in varying amounts to specified maximums, but does not vest. Accordingly, employees can only utilize sick leave when sick. Since the employees accumulating rights to receive compensation for future absences are contingent upon the absences being cause by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has items that qualify for reporting in this category. They include the deferred charge on bond refunding reported in the government-wide statement of net position, as well as deferred outflows related to the City's pension with the Texas Municipal Retirement System (TMRS.)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 2: Summary of Significant Accounting Policies – continued

Deferred Outflows/Inflows of Resources - continued

that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has deferred inflows reported in the statement of net position related to the City's pension with TMRS.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by TMRS and actuaries. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

Long-Term Debt

In the government-wide financial statements and the 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, are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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.

The amount capitalized under financed purchases is the lesser of the present value of the minimum lease payments or the fair value of the leased properties at the beginning of the respective lease terms. When a governmental fund type acquires a capital asset through a financed purchases agreement, the acquisition is reflected as an expenditure and other financing source. Capitalized leases of proprietary funds are accounted for entirely within the respective proprietary fund by capitalizing the asset acquired and recording the lease obligation as a liability.

Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The City's fund balance reported as Nonspendable at September 30, 2022, include amounts that are legally or contractually required to be maintained intact (Cemetery Perpetual Care Permanent Fund).

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 2: Summary of Significant Accounting Policies – continued

Fund Equity - continued

Restricted – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that can be used only for the specific purposes as established by a Council resolution or ordinance.

Assigned – includes amounts that are constrained by the City Council, or by another city official or the finance division to which the City Council has delegated authority, that are intended to be used for specific purposes but are neither restricted nor committed.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

Details of constraints on fund balances of governmental funds at September 30, 2022 are as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Cemetery Perpetual Care	\$ -	\$ 397,160	\$ 397,160
Restricted to:			
Tourism	-	422,135	422,135
Debt Service	-	1,026,710	1,026,710
Grants	-	61	61
Law Enforcement	-	25,305	25,305
Municipal Court	-	44,582	44,582
Assigned to:			
Christmas Lights	-	202	202
Park Improvement	-	1,294,970	1,294,970
Community College	-	4,024	4,024
Young County Arena	-	90,838	90,838
Memorial Auditorium Fund	-	51,369	51,369
Wal Mart Street Fund	-	42,856	42,856
Main Street	-	-	-
Unassigned	301,889	(108,724)	193,165
	<u>\$ 301,889</u>	<u>\$ 3,291,488</u>	<u>\$ 3,593,377</u>

Fair Value Measurements

The City adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 2: Summary of Significant Accounting Policies – continued

Fair Value Measurements - continued

Level 3 inputs are observable inputs that reflect the entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Note 3: Deposits and Investments

Cash and Cash Investments

Deposits were with the contracted depository banks in interest bearing accounts which were secured throughout the year by FDIC coverage and by securities conforming to the provisions of House Bill 1488 pledged to, and in the name of, the City. All deposits are deemed collateralized under the provisions of the Governmental Accounting Standards Boards' "Codification of Governmental Accounting Standards".

At year end, the City’s carrying amount of deposits was \$14,538,925 and the bank balance was \$14,877,300. The entire balance was collateralized with federal depository insurance and securities held by the pledging financial institution’s trust department or agent in the government’s name.

GEIC, a discretely presented component unit, had a carrying amount of deposits of \$10,000 and the bank balance was \$10,000. The total amount of the bank balance was covered by federal depository insurance or by collateral held by the bank in the GEIC's name.

Investments

Credit Risk

The primary stated objective of the City’s adopted Investment Policy is the safety of principal and avoidance of principal loss. Credit risk within the City’s portfolio among the authorized investments approved by the City’s adopted Investment Policy is represented only in time and demand deposits, repurchase agreements, and local government investment pools. All other investments are rated AAA, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the U.S. Government, its agencies or instrumentalities and certificates of deposits.

State law and the City’s adopted Investment Policy restricts both time and demand deposits, including certificates of deposit (CD), to those banks doing business in the state of Texas and further requires full insurance and/or to be collateralized from these depositories (banks and savings banks). Collateral, with a 102% margin, is required and collateral is limited to obligations of the U.S. Government, its agencies or instrumentalities, the State of Texas, and municipal obligations rated no less than “A” or equivalent by a nationally recognized rating agency. Independent safekeeping is required outside the pledging bank's holding company with monthly reporting. Securities are monitored and priced at market on a daily basis as a contractual responsibility of the bank.

By City policy and state law, repurchase agreements are limited to those with defined termination dates executed with a Texas bank or a primary dealer (as defined by the Federal Reserve Bank). The agreements require written master repurchase agreement.

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 3: Deposits and Investments – continued

As of September 30, 2022,

- certificates of deposit represented 15% of the total portfolio,
- repurchase agreements represented 0% of the total portfolio,
- commercial paper represented 0% of the total portfolio,
- holdings in a non-rated money market mutual fund represented 85% of the total portfolio,
- fully collateralized bank deposits represented 0% of the total portfolio, and
- holdings in U.S. Government securities rated AAA represented 0% of the total portfolio.

Concentration of Credit Risk

The City of Graham recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The City's adopted Investment Policy establishes diversification as a major objective of the investment program.

Diversification limits are set by Policy as:

	% of Portfolio
U.S. Treasury Notes/ Bills	100%
U.S. Agencies & Instrumentalities	100%
State of Texas Obligations & Agencies	15%
Local Government Investment Pools	50%
Local Government Obligations (AA)	10%
Repurchase Agreements	25%
Certificates of Deposits	100%
U. S. Government Money Market Funds	50%
U. S. Treasury Notes & U. S. Agency Callables	35%

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the City's adopted Investment Policy sets a maximum average maturity date of one year. Longer maturities may be utilized for bond proceeds but only if matched to planned expenditures of the funds. The Investment Policy establishes a maximum final stated maturity of any investment of five years.

A segmented time distribution analysis of the portfolio by market sector is shown in the table below.

Primary Government

<i>Investment Type</i>	Fair Value	Percentage of Total	Credit Rating	Investment Maturity	
				Less than 1 Year	Greater than 1 year
2A-7 like Local Government Pools	\$ 2,432,252	76.94%	AAAm	\$ 2,432,252	\$ -
Certificates of Deposits	728,856	23.06%	N/A	496,656	232,200
Total Portfolio	\$ 3,161,108	100%		\$ 2,928,908	\$ 232,200

Graham Economic Improvement Corporation

Other Investments	\$ 948,815	100%	N/A	\$ 948,815	\$ -
Total Portfolio	\$ 948,815	100%		\$ 948,815	\$ -

Investment pools are not categorized as to investment risk since specific securities relating to government cannot be identified. The City utilizes Texas Local Government Investment Pool (TexPool), Local Government Investment Cooperative (LOGIC) and Texas Short Term Asset Reserve Program (TexSTAR). The reported value of the pools are the same as the fair value of the pool shares.

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 3: Deposits and Investments – continued

reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor’s Office and by the Internal Auditor of the Comptroller’s Office.

Local Government Investment Cooperative (LOGIC) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. J.P. Morgan Investment Management Inc. serves as investment advisor and co-administrator with First Southwest Asset Management, Inc. LOGIC invests in treasury and agency securities and repurchase agreements as well as prime commercial paper. The pool maintains a weighted average maturity of 60 days or less. The pool seeks to maintain a constant dollar objective.

Texas Short Term Asset Reserve Program (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. J.P. Morgan Investment Management Inc. serves as investment advisor and co-administrator with First Southwest Asset Management, Inc. TexSTAR invests in treasury and agency securities and repurchase agreements fully collateralized by government securities. The pool maintains a weighted average maturity of 60 days or less. The pool seeks to maintain a constant dollar objective.

As of September 30, 2022, the portfolio contained no structured or callable notes.

Custodial Credit Risk

To control custody and safekeeping risk, state law and the City's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the City and held in the City's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of FIRREA. The counter-party of each type transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both state law and the City's investment policies are subject to change. The City did not engage in repurchase nor reverse repurchase agreement transactions during the current year.

Note 4: Receivables

Receivables as of September 30, 2022 for the City’s individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts are as follows:

	General	Water	Sewer	Nonmajor Governmental	Total
Receivables:					
Taxes	\$ 748,611	\$ -	\$ -	\$ 7,247	\$ 755,858
Accounts	567,959	989,725	299,198	-	1,856,882
Other	20,776	-	-	-	20,776
Gross receivables	1,337,346	989,725	299,198	7,247	2,633,516
Less: allowance for uncollectibles	(218,254)	(298,550)	(133,820)	(1,450)	(652,074)
Net total receivables	<u>\$ 1,119,092</u>	<u>\$ 691,175</u>	<u>\$ 165,378</u>	<u>\$ 5,797</u>	<u>\$ 1,981,442</u>

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 5: Capital Assets

Capital asset activity for the year ended September 30, 2022, is as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Governmental activities				
Land	\$ 641,254	\$ -	\$ -	\$ 641,254
Construction in progress	328,418	1,452,563	-	1,780,981
Buildings and improvements	11,985,344	-	-	11,985,344
Equipment	8,337,654	383,308	(366,640)	8,354,322
Infrastructure	10,795,754	-	-	10,795,754
Leasehold improvements	31,741	-	-	31,741
Total assets	<u>32,120,165</u>	<u>1,835,871</u>	<u>(366,640)</u>	<u>33,589,396</u>
Less accumulated depreciation				
Buildings and improvements	(6,094,776)	(314,970)	(117,422)	(6,527,168)
Equipment	(6,735,141)	(449,869)	484,062	(6,700,948)
Infrastructure	(9,821,554)	(342,261)	-	(10,163,815)
Leasehold improvements	(31,741)	-	-	(31,741)
Total accumulated depreciation	<u>(22,683,212)</u>	<u>(1,107,100)</u>	<u>366,640</u>	<u>(23,423,672)</u>
Governmental activities capital assets, net	<u>\$ 9,436,953</u>	<u>\$ 728,771</u>	<u>\$ -</u>	<u>\$ 10,165,724</u>
Business-type activities				
Construction in progress	\$ -	\$ 484,409	\$ -	\$ 484,409
Buildings and improvements	676,487	-	-	676,487
Equipment	1,515,986	322,454	(190,561)	1,647,879
Distribution and collection systems	35,282,671	-	-	35,282,671
Total assets	<u>37,475,144</u>	<u>806,863</u>	<u>(190,561)</u>	<u>38,091,446</u>
Less accumulated depreciation				
Buildings and improvements	(233,911)	(18,479)	-	(252,390)
Equipment	(1,040,196)	(131,765)	169,169	(1,002,792)
Distribution and collection systems	(17,038,527)	(809,214)	-	(17,847,741)
Total accumulated depreciation	<u>(18,312,634)</u>	<u>(959,458)</u>	<u>169,169</u>	<u>(19,102,923)</u>
Business-type activities capital assets, net	<u>\$ 19,162,510</u>	<u>\$ (152,595)</u>	<u>\$ (21,392)</u>	<u>\$ 18,988,523</u>

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 5: Capital Assets – continued

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

Governmental Activities:	
General government	\$ 57,463
Public safety	230,475
Public works	424,276
Health and welfare	3,253
Culture and recreation	363,415
Conservation and development	28,218
Total governmental activities	<u>\$ 1,107,100</u>
Business-type Activities:	
Water	\$ 872,462
Sewer	86,996
Total business-type activities	<u>\$ 959,458</u>

Discretely presented component units

Activity for the GEIC for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Land	\$ 39,891	\$ -	\$ 73,668	\$ 113,559
Buildings and improvements	2,088,792	796,732	(73,668)	2,811,856
Less accumulated depreciation	<u>(812,930)</u>	<u>(57,656)</u>	<u>-</u>	<u>(870,586)</u>
GEIC capital assets, net	<u>\$ 1,315,753</u>	<u>\$ 739,076</u>	<u>\$ -</u>	<u>\$ 2,054,829</u>

Note 6: Interfund Receivables, Payables and Transfers

The following is a summary of interfund receivables and payables:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Hotel / Motel Fund	\$ 514,943	Short-term loans
General Fund	Reserve Ser. 1998 Hospital Impro.	31,919	Short-term loans
Young County Arena Fund	General Fund	241,776	Short-term loans
G.O. Bond Fund	General Fund	224,050	Short-term loans
Cemetery Endowment Fund	General Fund	150,000	Short-term loans
Water Fund	General Fund	925,214	Short-term loans
Water Fund	Sewer Fund	4,889	Short-term loans
Sewer Fund	General Fund	78,500	Short-term loans
Graham Water Supply District	Water Plan and Reserve Fund	819	Short-term loans
Water Plant Reserve Fund	Sewer Fund	215,000	Short-term loans
Water Plant Reserve Fund	Graham Airport Fund	193,639	Short-term loans
Water Plant Reserve Fund	General Fund	543,325	Short-term loans
Water Plant Reserve Fund	Water Fund	8,900	Short-term loans
Water Capital Improvements Fund	General Fund	1,072,427	Short-term loans
Sewer Improvement Capital Fund	Sewer Fund	<u>1,041,726</u>	Short-term loans
		<u>\$ 5,247,127</u>	

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 6: Interfund Receivables, Payables and Transfers – continued

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Graham Airport Fund	\$ 11,119	Payment for air fuel
General Fund	Conservation and Visitors Bureau	197,000	CVB expenses
Water Fund	General Fund	503,780	Appropriations to the General Fund
Sewer Fund	General Fund	113,774	Appropriations to the General Fund
Hotel/ Motel Fund	General Fund	197,000	Refund for current years CVB expenses
Library Fund	General Fund	94,296	Appropriations to the General Fund
		<u>\$ 1,116,969</u>	

Note 7: Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended September 30, 2022:

	<u>Balance October 1</u>	<u>Issued</u>	<u>Retirements</u>	<u>Balance September 30</u>	<u>Due Within One Year</u>
Governmental activities					
Notes payable	\$ 245,857	\$ 256,286	\$ (188,002)	\$ 314,141	\$ 140,406
Capital leases	681,514	164,251	(181,836)	663,929	339,386
Compensated absences	131,989	131,146	(138,119)	125,016	125,016
Total governmental activity long-term liabilities	<u>\$ 1,059,360</u>	<u>\$ 551,683</u>	<u>\$ (507,957)</u>	<u>\$ 1,103,086</u>	<u>\$ 604,808</u>
Business-type Activities					
Combination tax & revenue certificates of obligation	\$ 11,000,000	\$ 4,500,000	\$ (10,470,000)	\$ 5,030,000	\$ 535,000
General obligation bonds	-	11,065,000	(255,000)	10,810,000	290,000
Notes payable	565,644	-	(281,315)	284,329	284,329
Capital leases	177,523	256,958	(55,867)	378,614	51,534
Customer deposits payable	24,970	-	(1,140)	23,830	-
Compensated absences	58,796	57,388	(63,318)	52,866	-
Total Business-type Activity long-term liabilities	<u>\$ 11,826,933</u>	<u>\$ 15,879,346</u>	<u>\$ (11,126,640)</u>	<u>\$ 16,579,639</u>	<u>\$ 1,160,863</u>

Governmental Activities

Notes Payable:

In January 2019, the City entered into a \$389,000 note payable to Graham InterBank for the purchase of equipment, of which \$379,000 was for governmental activities. The note carries an interest rate of 5% and is payable in three annual payments of \$142,856. The note matured on January 18, 2022.

In November 2019, the City entered into a \$166,300 note payable to Graham InterBank for the purchase of equipment. The note carries an interest rate of 4.75% and is payable in three annual payments of \$60,864. The note matures on November 7, 2022 and is secured by the equipment. As of September 30, 2022, the note has an outstanding balance of \$57,855.

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 7: Long-Term Obligations – continued

Notes payable – continued

In October 2021, the City entered into a \$256,286 note payable to Graham InterBank for the purchase of equipment. The note carries an interest rate of 4.75% and is payable in three annual payments of \$93,790. The note matures on October 15, 2024 and is secured by the equipment. As of September 30, 2022, the note has an outstanding balance of \$256,286.

Annual debt service requirements for the governmental activities are as follows:

Year Ending September 30	Notes Payable		Total
	Principal	Interest	Requirements
2023	\$ 140,406	\$ 14,922	\$ 155,328
2024	85,536	8,252	93,788
2025	88,199	4,189	92,388
Totals	\$ 314,141	\$ 27,363	\$ 341,504

Business-type Activities

Bonds Payable:

In 2013, the City issued \$2,445,000 of special assessment debt to provide funds for the construction of a new water treatment facility. The bonds have a stated interest rate of 4.00% and final payment is due February 15, 2033. This bond was refunded in November 2021. As of September 30, 2022, the outstanding principal on the bonds is \$0.

In 2014, the City issued \$12,285,000 of special assessment debt to provide funds for the improving and extending of the City's Waterworks System, including the acquisition of land and rights-of-way and paying legal and engineering fees in connection with such project. The bonds have a stated interest rate ranging from 4.00% to 5.00% and final payment is due February 15, 2026. This bond was refunded in November 2021. As of September 30, 2022, the outstanding principal balance was \$530,000.

In November 2021, the City issued \$11,065,000 in General Obligation Refunding Bonds, Series 2021 to advance refund Tax and Revenue Certificates of Obligation Bonds, Series 2013 and Series 2013A to achieve a present value debt service savings, and to pay the costs of the issuance of the bonds. Net proceeds from the sale of the bonds totaled \$11,065,000. A portion of the proceeds totaling \$10,991,622 was placed with an escrow agent to provide for all future debt payments of the refunded bonds. The refunding resulted in a present value debt service savings of 7.055%. The Certificates bear interest ranging from 0.81% to 3.05%. The final maturity date is in 2034 and the annual series payments range from \$255,000 to \$1,095,000. As of September 30, 2022, the outstanding principal balance was \$10,810,000.

In March 2022, the City issued \$4,500,000 of Tax and Revenue Certificated of Obligation Bonds to provide funds for the construction of water and wastewater system improvements, including the acquisition of land and rights-of-way and paying professional services in connection with such project. The bonds have a stated interest rate ranging from 3.00% to 5.50% and final payment is due August 15, 2051. As of September 30, 2022, the outstanding principal balance was \$4,500,000.

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 7: Long-Term Obligations – continued

Bonds Payable - continued

Annual debt service requirements for business-type activities are as follows:

Year Ending September 30	Combination tax & revenue certificates of obligation		General obligation bonds		Total Requirements
	Principal	Interest	Principal	Interest	
2023	\$ 535,000	\$ 328,862	\$ 290,000	\$ 170,309	\$ 1,324,171
2024	85,000	225,250	845,000	253,398	1,408,648
2025	85,000	222,700	860,000	250,614	1,418,314
2026	90,000	220,150	885,000	239,376	1,434,526
2027	90,000	216,550	910,000	225,358	1,441,908
2028-2032	520,000	1,023,900	4,980,000	829,277	7,353,177
2033-2037	805,000	887,250	2,040,000	152,460	3,884,710
2038-2042	880,000	706,750	-	-	1,586,750
2043-2047	1,115,000	472,775	-	-	1,587,775
2048-2052	825,000	151,250	-	-	976,250
Totals	\$ 5,030,000	\$ 4,455,437	\$ 10,810,000	\$ 2,120,792	\$ 22,416,229

Notes Payable:

In March 2016, the City entered into a \$1,844,540 note payable to Government Capital Corporation for the purchase of an automated meter reading system. The note carries an interest rate of 2.75% and is payable in seven annual payments of \$293,277. The note matures on March 1, 2023 and is secured by the system equipment. As of September 30, 2022, the note has an outstanding balance of \$284,329.

In January 2019, the City entered into a \$389,000 note payable to Graham InterBank for the purchase of equipment, of which \$10,000 was for business-type activities. The note carries an interest rate of 5% and is payable in three annual payments of \$142,856. The note matured on January 18, 2022.

Annual debt service requirements for business-type activities are as follows:

Year Ending September 30	Notes Payable		Total Requirements
	Principal	Interest	
2023	\$ 284,329	\$ 7,820	\$ 292,149
Totals	\$ 284,329	\$ 7,820	\$ 292,149

Financed Purchases:

The City has entered into lease agreements as lessee for financing the acquisition of a fire truck, vehicles, road equipment and the retrofit of the lighting throughout the city offices. These lease agreements qualify as financed purchases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 7: Long-Term Obligations – continued

Financed Purchases – continued

Description	Interest Rate	Issue Date	Maturity Date	Original Issue	Balance at 9/30/2022
<u>Governmental Activities</u>					
2017 Freightliner and Bearcat Oil Distributor	2.95%	1/20/2022	1/20/2027	\$ 92,324	\$ 80,782
2018 CAT 930M Wheel Loader	2.85%	1/12/2018	1/15/2023	209,541	98,233
2017 Cat 259D Skid Steer	2.85%	10/15/2017	10/15/2022	56,206	26,426
2020 Chevy Tahoes (Five)	2.65%	6/11/2021	6/11/2025	328,560	249,615
2020 CAT Skid Steer	2.50%	10/30/2020	10/30/2025	63,344	49,004
2022 Cat Skid Steer	2.95%	1/20/2022	2/20/2027	62,972	58,410
2023 Mac Dump Truck	3.66%	8/22/2022	9/22/2025	101,459	101,459
					<u>\$ 663,929</u>
<u>Business-type Activities</u>					
2020 Cat Skid Steer	2.50%	10/30/2020	10/30/2025	\$ 60,468	\$ 47,924
2020 Cat Backhoe	2.50%	10/30/2020	10/30/2025	111,588	86,268
2021 Mini Excavator	2.55%	1/20/2022	2/20/2027	81,045	74,351
2022 Cat Hammer	2.95%	1/20/2022	1/20/2027	11,750	10,280
2022 Cat Skid Steer	2.95%	1/20/2022	2/20/2027	62,703	58,332
2023 Mac Dump truck	8.75%	10/1/2015	10/1/2020	101,459	101,459
					<u>\$ 378,614</u>

Assets acquired through financed purchases are as follows:

Assets	Governmental Activities	Business-type Activities
Machinery and Equipment	\$ 1,014,781	\$ 393,127
Less: Accumulated Depreciation	(570,111)	(86,731)
Total	<u>\$ 444,670</u>	<u>\$ 306,396</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2022 were as follows.

Year Ending September 30	Governmental Activities		Business-type Activities	
	Financed Purchases		Financed Purchases	
	Principal	Interest	Principal	Interest
2023	\$ 339,386	\$ 13,676	\$ 51,536	\$ 10,800
2024	116,335	8,407	53,052	9,284
2025	119,507	5,083	54,633	7,703
2026	51,866	1,614	156,994	2,534
2027	36,835	402	62,399	729
Totals	<u>\$ 663,929</u>	<u>\$ 29,182</u>	<u>\$ 378,614</u>	<u>\$ 31,050</u>

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 8: Retirement Plans

Plan Description

The City participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. The City has elected that members can retire at age 60 and above with 5 or more years of service or with 25 years of service regardless of age. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

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

Inactive employees or beneficiaries currently receiving benefits	78
Inactive employees entitled to but not yet receiving benefits	37
Active employees	<u>80</u>
Total	<u><u>195</u></u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Graham were required to contribute 5% of their annual gross earnings during the fiscal year amounting to \$209,884 in the year ended September 30, 2022. The City did not change its employee contribution rate during the year. The contribution rates for the City were 10.61% and 10.69% in calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$434,458, and were equal to the required contributions.

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 8: Retirement Plans – continued

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Real Return	12.00%	7.22%
Real Estate	12.00%	6.85%
Absolute Return	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	<u>100.00%</u>	

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 8: Retirement Plans – continued

Discount Rate: The discount rate used to measure the Total Pension Asset 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 Asset.

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2020	\$ 19,099,804	\$ 17,424,727	\$ 1,675,077
Changes for the year:			
Service Cost	455,443	-	455,443
Interest	1,267,261	-	1,267,261
Difference between expected and actual experience	(154,144)	-	(154,144)
Changes in assumptions	-	-	-
Contributions - employer	-	415,771	(415,771)
Contributions - employee	-	194,468	(194,468)
Net investment income	-	2,268,336	(2,268,336)
Benefit payments, including refunds of employee contributions	(1,106,568)	(1,106,568)	-
Administrative expense	-	(10,510)	10,510
Other changes	-	71	(71)
Net changes	461,992	1,761,568	(1,299,576)
Balance at 12/31/201	<u>\$ 19,561,796</u>	<u>\$ 19,186,295</u>	<u>\$ 375,501</u>

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	<u>\$ 2,945,565</u>	<u>\$ 375,501</u>	<u>\$ (1,737,275)</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2022, the City recognized pension expense of \$42,250.

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 8: Retirement Plans – continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,575	\$ -
Changes in actual assumptions	19,270	-
Difference between projected and actual investment earnings	-	1,170,562
Contributions subsequent to the measurement date	301,244	-
Total	<u>\$ 323,089</u>	<u>\$ 1,170,562</u>

\$301,244 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	
2022	(122,263)
2023	(530,651)
2024	(277,372)
2025	(218,431)
Thereafter	-
	<u>\$ (1,148,717)</u>

Note 9: Post-Employment Benefits Other Than Pensions (OPEB)

Texas Municipal Retirement System Supplemental Death Benefits Fund

Plan Description

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

Benefits Provided

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

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 9: Post-Employment Benefits Other Than Pensions (OPEB) - continued

Texas Municipal Retirement System Supplemental Death Benefits Fund - continued

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

Inactive employees currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>80</u>
Total	<u><u>141</u></u>

Total OPEB Liability

The City’s total OPEB liability was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.5% to 11.5%, including inflation
Discount rate	1.84%
Retirees' share of benefit-related costs	\$0

The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2021.

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

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

Mortality rates for disabled retirees are based on the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 9: Post-Employment Benefits Other Than Pensions (OPEB) - continued

Texas Municipal Retirement System Supplemental Death Benefits Fund - continued

Changes in the Total OPEB Liability

Total OPEB Liability - beginning of year	\$ 413,831
Changes for the year:	
Service Cost	15,168
Interest on Total OPEB Liability	8,304
Changes of benefit terms	-
Differences between expected and actual experience	(8,445)
Changes in assumptions or other inputs	10,355
Benefit payments	(12,446)
Net changes	<u>12,936</u>
Total OPEB Liability – end of year	<u>\$ 426,767</u>

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

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84 percent) or 1-percentage-point higher (2.84% percent) than the current discount rate:

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
City's total OPEB liability	<u>\$ 499,587</u>	<u>\$ 426,767</u>	<u>\$ 367,590</u>

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

For the year ended September 30, 2022, the City recognized OPEB expense for this plan of \$33,258.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 26,493
Changes in actual assumptions	55,400	-
Contributions subsequent to the measurement date	12,493	-
Total	<u>\$ 67,893</u>	<u>\$ 26,493</u>

\$12,493 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022.

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 9: Post-Employment Benefits Other Than Pensions (OPEB) - continued

City of Graham Retiree Health Care Benefits Plan - continued

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

<u>Year Ended December 31:</u>	
2022	7,493
2023	9,894
2024	9,247
2025	2,163
2026	110
	<u>\$ 28,907</u>

City of Graham Retiree Health Care Benefits Plan

Plan Description

The City provides certain health care benefits to retired employees under a single-employer defined benefit healthcare plan. The City maintains self-funded medical, prescription drug, dental and vision coverage for eligible employees and retired employees and their dependents. The plan does not issue separate financial statements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided

The Plan provides medical, prescription drug, dental and vision coverage for eligible employees and retired employees and their spouse. All retirees with earliest of retirement after a) age 65 with 10 years of service; b) age 60 with 15 of service; or c) with 20 years of service without regard to age are eligible to continue their health insurance coverage at the same cost that the City pays for its employees. Thus, in effect, the City is subsidizing the cost of the higher premiums for its retirees.

At the September 30, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees	75
Active employees	<u>20</u>
Total	<u>95</u>

Funding Policy

Plan members are required to pay a premium for themselves and their dependent. Retirees contribute based on their coverage tier. These contributions may vary by plan and date of hire. For retirees hired prior to April 6, 2012 the target is 43% of the total retiree contribution rate (including spouse coverage) plus the excess over the active employee rate. For retirees hired between April 6, 2012 and April 6, 2017, the percentage is 71% and for those hired after April 6, 2017, the retiree contribution is 100% of the cost. Spouse coverage not included in the subsidy for retirees hired on or after April 6, 2012. Retiree medical benefits continue for life as long as contributions are made by the retiree.

Dental and vision benefits are available on a 100% retiree paid contribution basis. These benefits are not included in the valuation.

Total OPEB Liability

The City's total OPEB liability was measured as of September 30, 2022, and was determined by an actuarial valuation as of that date.

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 9: Post-Employment Benefits Other Than Pensions (OPEB) - continued

City of Graham Retiree Health Care Benefits Plan - continued

Actuarial assumptions and other inputs

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City’s retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The total OPEB liability in the September 30, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial method	Individual entry age normal cost method – level percentage of projected salary
Health care cost trend	Level 4.50%
Discount rate	4.77%
Salary scale	3.50%

The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of September 30, 2021.

All administrative expenses are paid by the City of Graham.

Mortality rates for service retirees were determined using RPH-2014 Total Table with Projection MP-2019. Disability rates were not assumed.

Changes in the Total OPEB Liability

Total OPEB Liability - beginning of year	\$ 4,359,163
Changes for the year:	
Service Cost	84,722
Interest on Total OPEB Liability	98,999
Changes of benefit terms	-
Differences between expected and actual experience	(1,732,635)
Changes in assumptions or other inputs	(865,887)
Benefit payments	(87,822)
Net changes	<u>(2,502,623)</u>
Total OPEB Liability – end of year	<u>\$ 1,856,540</u>

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 9: Post-Employment Benefits Other Than Pensions (OPEB) - continued

City of Graham Retiree Health Care Benefits Plan - continued

Sensitivity of the Total OPEB Liability to changes in the health care cost trend rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.50 percent) or 1-percentage-point higher (5.50% percent) than the current discount rate:

	1% Decrease in Trend Rate (3.50%)	Trend Rate (4.50%)	1% Increase in Trend Rate (5.50%)
City's total OPEB liability	\$ 1,623,149	\$ 1,856,540	\$ 2,147,557

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.77 percent) or 1-percentage-point higher (5.77 percent) than the current discount rate:

	1% Decrease in Discount Rate (3.77%)	Discount Rate (4.77%)	1% Increase in Discount Rate (5.77%)
City's total OPEB liability	\$ 1,634,817	\$ 1,856,540	\$ 2,130,227

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

For the year ended September 30, 2022, the City recognized OPEB expense for this plan of \$(96,593).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,588,294
Changes in actual assumptions	-	170,037
Total	\$ -	\$ 1,758,331

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

Year Ended September 30:		
2023	\$	(280,314)
2024		(280,314)
2025		(280,314)
2026		(296,437)
2027		(395,514)
Thereafter		(225,438)
	\$	(1,758,331)

CITY OF GRAHAM, TEXAS
Notes to the Financial Statements
Year Ended September 30, 2022

Note 10: Risk Management

The City is exposed to various risks of loss relating to general liability, accidental loss of real and personal property damage to City assets, errors and omissions and personal risks which relate to workers' compensation. The City participates in the Texas Municipal League Intergovernmental Risk Pool (the Pool). As an insured, the City is not obligated to reimburse the Pool for losses. Any losses, reported but unsettled or incurred and not reported, are believed to be insignificant to the City's financial statements.

Commercial insurance is purchased for the other risks of losses to which the City is exposed. There have been no significant reductions in insurance coverage in the current year and settlement amounts have not exceeded insurance coverage for each of the past three years.

Note 11: Working Agreements

In addition to the funds that the City sets aside for perpetual cemetery care in its nonexpendable trust fund, individuals may place money in the trust fund, which revert to those individuals. During the time that the money is held in trust, any income earned may be used for the purposes of the trust. These amounts are designated as working agreements and shown as liabilities of the fund.

Note 12: Deficits in Fund Balance

At September 30, 2022, the Graham Airport Fund had deficit fund balance of \$108,724, due to pending reimbursement.

Note 13: Commitments and Contingencies

The City participates in numerous federal and state assisted programs. In connection with these grants, the City is required to comply with specific terms and agreements as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In the opinion of management, the City has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of any disallowance of claimed expenditures, the City expects the resulting liability to be immaterial.

Note 14: Prior Period Adjustment

In 2022, it was discovered that the balance due from Graham Economic Improvement Corporation to the City of Graham's General Fund was previously overstated in the financial statements. The result of these adjustments is as follows:

	General Fund	Governmental Activities	Graham Economic Improvement Corp.
Beginning balance, as previously stated	\$ (606,593)	\$ 7,169,842	\$ 1,767,857
Restatement adjustments:			
Due from component unit	(89,696)	(89,696)	-
Due to primary government	-	-	89,696
Total restatement adjustments	<u>(89,696)</u>	<u>(89,696)</u>	<u>89,696</u>
Beginning fund balance, as restated	<u>\$ (696,289)</u>	<u>\$ 7,080,146</u>	<u>\$ 1,857,553</u>

CITY OF GRAHAM, TEXAS
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual - General Fund
Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 2,322,500	\$ 2,322,500	\$ 2,574,713	\$ 252,213
General sales and use taxes	2,230,000	2,230,000	2,881,936	651,936
Franchise tax	640,000	640,000	574,774	(65,226)
Other taxes	12,500	12,500	22,962	10,462
Penalty and interest on taxes	22,500	22,500	26,638	4,138
Licenses and permits	39,250	39,250	78,280	39,030
Intergovernmental revenue and grants	20,000	20,000	1,427,095	1,407,095
Charges for services	1,993,300	2,071,621	2,610,311	538,690
Fines	138,750	138,750	116,193	(22,557)
Rents and royalties	25,500	25,500	73,806	48,306
Contributions and donations from private sources	125,000	197,089	195,245	(1,844)
Other revenue	454,889	642,889	387,129	(255,760)
Investment earnings	500	500.00	16,897	16,397
Total Revenues	8,024,689	8,363,099	10,985,979	2,622,880
EXPENDITURES				
Current				
General government				
Administrative	487,375	568,143	543,660	24,483
Municipal court	114,562	97,996	100,807	(2,811)
Total general government	601,937	666,139	644,467	21,672
Public safety				
Police	1,872,571	1,746,917	1,798,124	(51,207)
Fire	1,031,725	936,851	939,859	(3,008)
Emergency operations	-	-	-	-
Animal control	99,452	101,403	101,617	(214)
Code enforcement	113,001	116,528	118,013	(1,485)
Total public safety	3,116,749	2,901,699	2,957,613	(55,914)
Public works				
Streets	1,050,365	1,224,076	1,230,845	(6,769)
Sanitation	21,534	9,559	9,784	(225)
Refuse disposal	1,832,577	1,951,951	2,112,603	(160,652)
Airport	323,157	441,623	465,858	(24,235)
Maintenance	-	-	-	-
Total public works	3,227,633	3,627,209	3,819,090	(191,881)
Health and welfare				
Ambulance	35,000	35,000	35,000	-
Health and welfare	62,500	88,935	88,935	-
Total health and welfare	97,500	123,935	123,935	-

CITY OF GRAHAM, TEXAS
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual - General Fund
Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Culture and recreation				
Young County Arena	394,137	409,184	410,383	(1,199)
Auditorium	71,953	73,648	73,746	(98)
Library	251,205	298,747	328,183	(29,436)
Swimming pool	106,309	103,801	103,801	-
Parks and playgrounds	341,829	358,700	359,560	(860)
Total culture and recreation	<u>1,165,433</u>	<u>1,244,080</u>	<u>1,275,673</u>	<u>(31,593)</u>
Conservation and development				
Convention visitors bureau	197,000.00	197,000.00	-	197,000
Main street	-	-	-	-
Museum	3,691	36,977	36,978	(1)
Cemeteries	105,880	103,339	103,162	177
Total conservation and development	<u>306,571</u>	<u>337,316</u>	<u>140,140</u>	<u>197,176</u>
Debt Service				
Principal	230,472	324,209	323,721	488
Interest	20,551	29,337	29,131	206
Capital Outlay	280,536	237,324	1,823,471	(1,586,147)
Total Expenditures	<u>9,047,382</u>	<u>9,491,248</u>	<u>11,137,241</u>	<u>(1,645,993)</u>
Deficiency of Revenues Under Expenditures	<u>(1,022,693)</u>	<u>(1,128,149)</u>	<u>(151,262)</u>	<u>976,887</u>
Other Financing Sources (Uses)				
Proceeds of Long-Term Debt	256,286	256,286	420,537	164,251
Proceeds from the sale of capital assets	15,000	15,000	28,172	13,172
Transfers In	797,000	1,067,503	908,850	(158,653)
Transfers Out	-	-	(208,119)	(208,119)
Total Other Financing Sources (Uses)	<u>1,068,286</u>	<u>1,338,789</u>	<u>1,149,440</u>	<u>(189,349)</u>
Change in Fund Balance	45,593	210,640	998,178	787,538
Fund Balance - October 1 (Beginning)	<u>(696,289)</u>	<u>(696,289)</u>	<u>(696,289)</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ (650,696)</u>	<u>\$ (485,649)</u>	<u>\$ 301,889</u>	<u>\$ 787,538</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

CITY OF GRAHAM, TEXAS
Schedule Of Changes In Net Pension Liability And Related Ratios
Texas Municipal Retirement System
For The Year Ended December 31, 2021

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 455,443	\$ 493,227	\$ 480,247	\$ 482,768	\$ 464,552	\$ 475,862	\$ 406,357
Interest on total pension liability	1,267,261	1,224,801	1,156,834	1,113,721	1,095,676	1,044,935	1,069,759
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(154,144)	59,462	365,290	(42,079)	(431,596)	95,806	(531,575)
Change of assumptions	-	-	80,767	-	-	-	58,109
Benefit payments/refunds of contributions	(1,106,568)	(1,152,543)	(1,012,891)	(815,969)	(924,859)	(793,575)	(884,741)
Net change in total pension liability	461,992	624,947	1,070,247	738,441	203,773	823,028	117,909
Total pension liability, beginning	19,099,804	18,474,857	17,404,610	16,666,169	16,462,396	15,639,368	15,521,459
Total pension liability, ending (a)	<u>\$ 19,561,796</u>	<u>\$ 19,099,804</u>	<u>\$ 18,474,857</u>	<u>\$ 17,404,610</u>	<u>\$ 16,666,169</u>	<u>\$ 16,462,396</u>	<u>\$ 15,639,368</u>
Fiduciary Net Position							
Contributions - Employer	\$ 415,771	\$ 434,458	\$ 448,044	\$ 457,563	\$ 454,047	\$ 474,516	\$ 425,773
Contributions - Employee	194,468	209,884	224,029	202,503	194,536	199,209	173,360
Net investment income	2,268,336	1,264,593	2,278,617	(460,245)	1,905,762	878,678	19,607
Benefit payments/refunds of contributions	(1,106,568)	(1,152,543)	(1,012,891)	(815,969)	(924,859)	(793,575)	(884,741)
Administrative expenses	(10,510)	(8,191)	(12,887)	(8,903)	(9,882)	(9,930)	(11,944)
Other	71	(320)	(386)	(465)	(502)	(535)	(590)
Net change in fiduciary net position	1,761,568	747,881	1,924,526	(625,516)	1,619,102	748,363	(278,535)
Fiduciary net position, beginning	17,424,727	16,676,846	14,752,320	15,377,836	13,758,734	13,010,371	13,288,906
Fiduciary net position, ending (b)	<u>\$ 19,186,295</u>	<u>\$ 17,424,727</u>	<u>\$ 16,676,846</u>	<u>\$ 14,752,320</u>	<u>\$ 15,377,836</u>	<u>\$ 13,758,734</u>	<u>\$ 13,010,371</u>
Net pension liability, ending = (a) - (b)	<u>\$ 375,501</u>	<u>\$ 1,675,077</u>	<u>\$ 1,798,011</u>	<u>\$ 2,652,290</u>	<u>\$ 1,288,333</u>	<u>\$ 2,703,662</u>	<u>\$ 2,628,997</u>
Fiduciary net position as a percentage of total pension liability	98.08%	91.23%	90.27%	84.76%	92.27%	83.58%	83.19%
Pensionable covered payroll	\$ 3,889,350	\$ 4,197,675	\$ 4,052,720	\$ 4,050,069	\$ 3,890,719	\$ 3,923,017	\$ 3,467,206
Net pension liability as a percentage of covered payroll	9.65%	39.90%	44.37%	65.49%	33.11%	68.92%	75.82%

CITY OF GRAHAM, TEXAS
Schedule of Employer Contributions
Texas Municipal Retirement System
For The Year Ended September 30, 2022

<u>Year Ending</u> <u>September 30,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Pensionable</u> <u>Covered</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a Percentage of</u> <u>Covered Payroll</u>
2015	\$ 445,222	\$ 445,222	\$ -	\$ 3,495,041	12.74 %
2016	\$ 425,773	\$ 425,773	\$ -	\$ 3,467,206	12.28 %
2017	\$ 474,516	\$ 474,516	\$ -	\$ 3,923,017	12.10 %
2018	\$ 454,047	\$ 454,047	\$ -	\$ 3,890,719	11.67 %
2019	\$ 457,563	\$ 457,563	\$ -	\$ 4,050,069	11.30 %
2020	\$ 423,298	\$ 423,298	\$ -	\$ 4,052,720	10.44 %
2021	\$ 413,472	\$ 413,472	\$ -	\$ 4,197,675	9.85 %
2022	\$ 412,518	\$ 412,518	\$ -	\$ 3,889,350	10.61 %

CITY OF GRAHAM, TEXAS
Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
Texas Municipal Retirement System Supplemental Death Benefit Fund
Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability					
Service cost	\$ 15,168	\$ 13,852	\$ 10,132	\$ 11,340	\$ 9,727
Interest	8,304	10,094	11,681	10,988	11,143
Changes of benefit terms	-	-	-	-	-
Difference between expected & actual experience	(8,445)	(12,548)	(16,711)	(16,550)	-
Changes of assumptions	10,355	44,396	49,584	(17,644)	20,279
Benefit payments	<u>(12,446)</u>	<u>(4,198)</u>	<u>(4,458)</u>	<u>(4,860)</u>	<u>(4,669)</u>
Net Change in Total OPEB Liability	12,936	51,596	50,228	(16,726)	36,480
Total OPEB Liability - Beginning	<u>413,831</u>	<u>362,235</u>	<u>312,007</u>	<u>328,733</u>	<u>292,253</u>
Total OPEB Liability - Ending (a)	<u>\$ 426,767</u>	<u>\$ 413,831</u>	<u>\$ 362,235</u>	<u>\$ 312,007</u>	<u>\$ 328,733</u>
Covered Employee Payroll	\$3,889,350	\$4,197,675	\$4,052,720	\$4,050,069	\$3,890,719
Total OPEB Liability as a Percentage of Covered Employee Payroll	10.97%	9.86%	8.94%	7.70%	8.45%

CITY OF GRAHAM, TEXAS
Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
City of Graham Retiree Health Care Benefit Plan
Year Ended September 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 84,722	\$ 84,722	\$ 67,057	\$ 67,057	\$ 64,441
Interest	98,999	97,489	140,467	134,884	134,329
Changes of benefit terms	-	-	-	-	-
Difference between expected & actual experience	(1,732,635)	-	(212,159)	-	-
Changes of assumptions	(865,887)	-	1,002,436	-	-
Benefit payments	(87,822)	(142,377)	(142,377)	(120,644)	(120,644)
Net Change in Total OPEB Liability	(2,502,623)	39,834	855,424	81,297	78,126
Total OPEB Liability - Beginning	<u>4,359,163</u>	<u>4,319,329</u>	<u>3,463,905</u>	<u>3,382,608</u>	<u>3,304,482</u>
Total OPEB Liability - Ending (a)	<u>\$ 1,856,540</u>	<u>\$ 4,359,163</u>	<u>\$ 4,319,329</u>	<u>\$ 3,463,905</u>	<u>\$ 3,382,608</u>
Covered Employee Payroll	\$ 3,616,300	\$ 3,773,626	\$ 3,773,626	\$ 3,588,966	\$ 3,588,966
Total OPEB Liability as a Percentage of Covered Employee Payroll	51.34%	115.52%	114.46%	96.52%	94.25%

CITY OF GRAHAM, TEXAS
 Required Supplementary Information
 Schedule of Funding Progress
 City of Graham Retiree Health Care Benefit Plan
 Year Ended September 30, 2022

Measurement Date	Fiduciary Net Position (a)	Total OPEB Liability Entry Age Normal Percentage of Salary (b)	Net OPEB Liability (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	Net OPEB Liability as a Percentage of Covered Payroll [(b) - (a)] / (c)
2018	\$ -	\$ 3,382,608	\$ 3,382,608	0%	\$ 3,588,966	94.25%
2019	\$ -	\$ 3,463,905	\$ 3,463,905	0%	\$ 3,588,966	96.52%
2020	\$ -	\$ 4,319,329	\$ 4,319,329	0%	\$ 3,773,626	114.46%
2021	\$ -	\$ 4,359,163	\$ 4,359,163	0%	\$ 3,773,626	115.52%
2022	\$ -	\$ 1,856,540	\$ 1,856,540	0%	\$ 3,616,300	51.34%

CITY OF GRAHAM, TEXAS
Notes to the Required Supplementary Information
Year Ended September 30, 2022

Note A: Budget to Actual Schedule

Budget and Budgetary Accounting

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

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

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

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

Budget Amendments

The City amended the budget during the year ended September 30, 2022.

Note B: Net Pension Liability – Texas Municipal Retirement System

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years (longest amortization ladder)
Asset valuation method	10-year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

CITY OF GRAHAM, TEXAS
Notes to the Required Supplementary Information
Year Ended September 30, 2022

Note B: Net Pension Liability – Texas Municipal Retirement System - continued

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Note C: Total OPEB Liability – Texas Municipal Retirement System Supplemental Death Benefit Fund

Changes of Assumptions

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

Trust

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

Note D: Total OPEB Liability – City of Graham Retiree Health Care Benefit Plan

Changes of Assumptions

The mortality assumption for this valuation was updated using the RPH-2014 Total table with Projection MP-2021. The discount rate was raised from 2.25% to 4.77% to conform with the discount selection requirements of GASB 75.

Trust

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

COMBINING STATEMENTS AND BUDGETARY COMPARISON SCHEDULES AS SUPPLEMENTARY INFORMATION

The supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CITY OF GRAHAM, TEXAS
Combining Balance Sheet - Nonmajor Governmental Funds
September 30, 2022

	21 Christmas Light Fund	22 Park Improvement Fund	23 Young County Arena Fund	24 Hotel Motel Fund
ASSETS				
Cash and cash equivalents	\$ 202	\$ 59,500	\$ (150,938)	\$ 690,457
Investments	-	1,235,470	-	-
Taxes receivable	-	-	-	-
Allowance for uncollectible taxes	-	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	241,776	-
Total Assets	<u>\$ 202</u>	<u>\$ 1,294,970</u>	<u>\$ 90,838</u>	<u>\$ 690,457</u>
LIABILITIES , DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable and other liabilities	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	514,942
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>514,942</u>
Deferred Inflows of Resources				
Unavailable revenue				
Property taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	-	-	175,515
Assigned	202	1,294,970	90,838	-
Unassigned	-	-	-	-
Total Fund Balances	<u>202</u>	<u>1,294,970</u>	<u>90,838</u>	<u>175,515</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 202</u>	<u>\$ 1,294,970</u>	<u>\$ 90,838</u>	<u>\$ 690,457</u>

25 Police Security Fund	26 Community College Fund	28 American Legion Building	29 Police Donation Fund	32 Fire Department Grant	27, 33 Municipal Court Security	34 Municipal Court Technology
\$ 20,377	\$ 4,024	\$ 15,589	\$ 4,928	\$ 61	\$ 38,223	\$ 6,359
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 20,377</u>	<u>\$ 4,024</u>	<u>\$ 15,589</u>	<u>\$ 4,928</u>	<u>\$ 61</u>	<u>\$ 38,223</u>	<u>\$ 6,359</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
20,377	-	15,589	4,928	61	38,223	6,359
-	4,024	-	-	-	-	-
-	-	-	-	-	-	-
<u>20,377</u>	<u>4,024</u>	<u>15,589</u>	<u>4,928</u>	<u>61</u>	<u>38,223</u>	<u>6,359</u>
<u>\$ 20,377</u>	<u>\$ 4,024</u>	<u>\$ 15,589</u>	<u>\$ 4,928</u>	<u>\$ 61</u>	<u>\$ 38,223</u>	<u>\$ 6,359</u>

CITY OF GRAHAM, TEXAS
Combining Balance Sheet - Nonmajor Governmental Funds
September 30, 2022

	35, 40 Memorial Auditorium Fund	36 Graham Airport Fund	37 Wal-Mart Street Fund	44 Reserve Ser. 1998 Hospital Improvements
ASSETS				
Cash and cash equivalents	\$ 51,469	\$ 84,915	\$ 5,939	\$ 32,757
Investments	-	-	36,917	-
Taxes receivable	-	-	-	-
Allowance for uncollectible taxes	-	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
Total Assets	<u>\$ 51,469</u>	<u>\$ 84,915</u>	<u>\$ 42,856</u>	<u>\$ 32,757</u>
LIABILITIES , DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable and other liabilities	\$ 100	\$ -	\$ -	\$ -
Due to other funds	-	193,639	-	31,919
Total Liabilities	<u>100</u>	<u>193,639</u>	<u>-</u>	<u>31,919</u>
Deferred Inflows of Resources				
Unavailable revenue				
Property taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	-	-	838
Assigned	51,369	-	42,856	-
Unassigned	-	(108,724)	-	-
Total Fund Balances	<u>51,369</u>	<u>(108,724)</u>	<u>42,856</u>	<u>838</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 51,469</u>	<u>\$ 84,915</u>	<u>\$ 42,856</u>	<u>\$ 32,757</u>

61 Graham Library Fund	53 Main Street Fund	55 Convention and Visitors Bureau	Total Nonmajor Special Revenue Funds	43 G.O. Bond Fund	80 Cemetery Endowment Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 231,031	\$ 1,094,893	\$ 801,821	\$ 136,308	\$ 2,033,022
-	-	-	1,272,387	-	110,852	1,383,239
-	-	-	-	7,247	-	7,247
-	-	-	-	(1,450)	-	(1,450)
-	-	-	-	-	-	-
-	-	-	241,776	224,050	150,000	615,826
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,031</u>	<u>\$ 2,609,056</u>	<u>\$ 1,031,668</u>	<u>\$ 397,160</u>	<u>\$ 4,037,884</u>

\$ -	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ 100
-	-	-	740,500	-	-	740,500
<u>-</u>	<u>-</u>	<u>-</u>	<u>740,600</u>	<u>-</u>	<u>-</u>	<u>740,600</u>

-	-	-	-	5,796	-	5,796
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,796</u>	<u>-</u>	<u>5,796</u>

-	-	-	-	-	397,160	397,160
-	-	231,031	492,921	1,025,872	-	1,518,793
-	-	-	1,484,259	-	-	1,484,259
-	-	-	(108,724)	-	-	(108,724)
<u>-</u>	<u>-</u>	<u>231,031</u>	<u>1,868,456</u>	<u>1,025,872</u>	<u>397,160</u>	<u>3,291,488</u>

<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,031</u>	<u>\$ 2,609,056</u>	<u>\$ 1,031,668</u>	<u>\$ 397,160</u>	<u>\$ 4,037,884</u>
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CITY OF GRAHAM, TEXAS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2022

	21 Christmas Light Fund	22 Park Improvement Fund	23 Young County Arena Fund	24 Hotel Motel Fund
REVENUE				
Taxes	\$ -	\$ -	\$ -	\$ 285,372
Intergovernmental revenue and grants	-	-	-	-
Charges for services	-	-	-	-
Contributions and donations from private sources	-	-	-	-
Other revenue	-	-	-	-
Investment earnings	-	10,084	-	7,660
Total Revenues	<u>-</u>	<u>10,084</u>	<u>-</u>	<u>293,032</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>10,084</u>	<u>-</u>	<u>293,032</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(197,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(197,000)</u>
Net Change in Fund Balance	-	10,084	-	96,032
Fund Balance - October 1	202	1,284,886	90,838	79,483
Fund Balance - September 30	<u>\$ 202</u>	<u>\$ 1,294,970</u>	<u>\$ 90,838</u>	<u>\$ 175,515</u>

25 Police Security Fund	26 Community College Fund	28 American Legion Building	29 Police Donations Fund	32 Fire Department Grant	27, 33 Municipal Court Security	34 Municipal Court Technology
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	(1,020)	-	4,068	2,625
-	-	-	-	-	-	-
1,324	-	-	-	-	-	-
179	35	-	38	-	333	54
<u>1,503</u>	<u>35</u>	<u>-</u>	<u>(982)</u>	<u>-</u>	<u>4,401</u>	<u>2,679</u>
-	-	-	-	-	-	1,809
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	12,400
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,209</u>
<u>1,503</u>	<u>35</u>	<u>-</u>	<u>(982)</u>	<u>-</u>	<u>4,401</u>	<u>(11,530)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,503</u>	<u>35</u>	<u>-</u>	<u>(982)</u>	<u>-</u>	<u>4,401</u>	<u>(11,530)</u>
18,874	3,989	15,589	5,910	61	33,822	17,889
<u>\$ 20,377</u>	<u>\$ 4,024</u>	<u>\$ 15,589</u>	<u>\$ 4,928</u>	<u>\$ 61</u>	<u>\$ 38,223</u>	<u>\$ 6,359</u>

CITY OF GRAHAM, TEXAS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2022

	35, 40 Memorial Auditorium Fund	36 Graham Airport Fund	37 Wal-Mart Street Fund	44 Reserve Ser. 1998 Hospital Improvements
REVENUE				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue and grants	-	-	-	-
Charges for services	-	-	-	-
Contributions and donations from private sources	40,000	-	-	-
Other revenue	-	-	-	-
Investment earnings	446	731	332	289
Total Revenues	<u>40,446</u>	<u>731</u>	<u>332</u>	<u>289</u>
EXPENDITURES				
Current				
General government	45,475	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay				
Total Expenditures	<u>45,475</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(5,029)</u>	<u>731</u>	<u>332</u>	<u>289</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	-	-	-
Transfers in	-	11,119	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>11,119</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(5,029)	11,850	332	289
Fund Balance - October 1	56,398	(120,574)	42,524	549
Fund Balance - September 30	<u>\$ 51,369</u>	<u>\$ (108,724)</u>	<u>\$ 42,856</u>	<u>\$ 838</u>

61 Graham Library Fund	53 Main Street Fund	55 Conservation and Visitors Bureau	Total Nonmajor Special Revenue Funds	43 G.O. Bond Fund	80 Cemetery Endowment Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 285,372	\$ 58,605	\$ -	\$ 343,977
-	-	-	-	-	-	-
-	-	-	5,673	-	-	5,673
-	-	-	40,000	-	-	40,000
-	-	363,790	365,114	-	4,650	369,764
-	-	-	20,181	6,894	2,031	29,106
-	-	363,790	716,340	65,499	6,681	788,520
-	-	-	47,284	-	-	47,284
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	589,080	589,080	-	-	589,080
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	12,400	-	-	12,400
-	-	589,080	648,764	-	-	648,764
-	-	(225,290)	67,576	65,499	6,681	139,756
-	-	-	-	-	-	-
-	-	197,000	208,119	-	-	208,119
(94,296)	-	-	(291,296)	-	-	(291,296)
(94,296)	-	197,000	(83,177)	-	-	(83,177)
(94,296)	-	(28,290)	(15,601)	65,499	6,681	56,579
94,296	-	259,321	1,884,057	960,373	390,479	3,234,909
\$ -	\$ -	\$ 231,031	\$ 1,868,456	\$ 1,025,872	\$ 397,160	\$ 3,291,488

CITY OF GRAHAM, TEXAS
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual - Water Fund
Year Ended September 30, 2022

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget
	Original	Final		
OPERATING REVENUES				
Charges for Water Services	\$ 4,429,725	\$ 5,329,725	\$ 5,424,665	\$ 94,940
Charges for Sewer Services	-	-	-	-
Rents and Royalties	134,925	134,925	93,036	(41,889)
Other Revenue	205,000	330,000	91,633	(238,367)
Total Operating Revenues	<u>4,769,650</u>	<u>5,794,650</u>	<u>5,609,334</u>	<u>(185,316)</u>
OPERATING EXPENSES				
Personal Services - Salaries and Wages	917,939	745,330	776,741	(31,411)
Personal Services - Employee Benefits	467,105	518,164	404,888	113,276
Purchased Professional and Technical Services	147,920	409,149	117,499	291,650
Purchased Property Services	242,750	230,700	230,698	2
Other Operating Expenses	304,524	327,908	382,166	(54,258)
Supplies	520,850	722,955	738,027	(15,072)
Depreciation	-	-	783,478	(783,478)
Debt Service	901,502	1,160,440	-	1,160,440
Capital Outlay	138,102	79,053	-	79,053
Total Operating Expenses	<u>3,640,692</u>	<u>4,193,699</u>	<u>3,433,497</u>	<u>760,202</u>
Operating Income (Loss)	1,128,958	1,600,951	2,175,837	574,886
NON-OPERATING REVENUES (EXPENSES)				
Loss on disposition of assets	-	-	(2,500)	(2,500)
Investment Earnings	6,000	6,000	33,716	27,716
Interest Expense	(555,596)	(236,206)	(315,789)	(79,583)
Bond issue costs	-	-	(326,153)	(326,153)
Total Non-Operating Revenue (Expenses)	<u>(549,596)</u>	<u>(230,206)</u>	<u>(610,726)</u>	<u>(380,520)</u>
Income (Loss) Before Transfers	579,362	1,370,745	1,565,111	194,366
Transfers In	-	296,590	-	(296,590)
Transfers Out	(500,000)	(500,000)	(503,780)	(3,780)
Change in Net Position	79,362	1,167,335	1,061,331	(106,004)
Net Position - October 1	<u>9,353,036</u>	<u>9,353,036</u>	<u>9,353,036</u>	<u>-</u>
Net Position - September 30	<u>\$ 9,432,398</u>	<u>\$ 10,520,371</u>	<u>\$ 10,414,367</u>	<u>\$ (106,004)</u>

CITY OF GRAHAM, TEXAS
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual - Sewer Fund
Year Ended September 30, 2022

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget
	Original	Final		
OPERATING REVENUES				
Charges for Sewer Services	\$ 1,455,675	\$ 1,455,675	\$ 1,414,899	\$ (40,776)
Other Revenue	727,735	1,698,806	250,075	(1,448,731)
Total Operating Revenues	<u>2,183,410</u>	<u>3,154,481</u>	<u>1,664,974</u>	<u>(1,489,507)</u>
OPERATING EXPENSES				
Personal Services - Salaries and Wages	365,345	434,688	436,002	(1,314)
Personal Services - Employee Benefits	155,977	158,857	132,413	26,444
Purchased Professional and Technical Services	29,250	26,778	25,173	1,605
Purchased Property Services	267,550	296,549	276,868	19,681
Other Operating Expenses	67,960	87,547	106,686	(19,139)
Supplies	191,500	362,042	227,207	134,835
Depreciation	-	-	86,996	(86,996)
Debt service	236,241	23,078	-	23,078
Capital Outlay	663,500	11,605	-	11,605
Total Operating Expenses	<u>1,977,323</u>	<u>1,401,144</u>	<u>1,291,345</u>	<u>109,799</u>
Operating Income (Loss)	206,087	1,753,337	373,629	(1,379,708)
NON-OPERATING REVENUES (EXPENSES)				
Loss on disposition of assets	-	-	(642)	(642)
Investment Earnings	450	450	11,374	10,924
Interest Expense	(18,500)	(4,355)	(4,545)	(190)
Total Non-Operating Revenue (Expenses)	<u>(18,050)</u>	<u>(3,905)</u>	<u>6,187</u>	<u>10,092</u>
Income (Loss) Before Transfers	188,037	1,749,432	379,816	(1,369,616)
Transfers Out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(113,774)</u>	<u>(13,774)</u>
Change in Net Assets	88,037	1,649,432	266,042	(1,383,390)
Net Position - October 1	<u>256,993</u>	<u>256,993</u>	<u>256,993</u>	<u>-</u>
Net Position - September 30	<u>\$ 345,030</u>	<u>\$ 1,906,425</u>	<u>\$ 523,035</u>	<u>\$ (1,383,390)</u>

COMPLIANCE SECTION



Independent Auditor's Report

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

City Council
City of Graham, Texas
429 Fourth Street
Graham, Texas 76450

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Graham, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Graham, Texas' basic financial statements and have issued our report thereon dated April 25, 2023.

Report on Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as finding 2022-01 to be a material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as finding 2022-02 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Graham, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial

statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Graham, Texas’ Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Graham, Texas’ response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Graham, Texas’ response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



MWH GROUP, P.C.

Wichita Falls, Texas
April 25, 2023

CITY OF GRAHAM, TEXAS
 Schedule of Findings and Responses
 For the Year Ended September 30, 2022

A. Summary of Auditor's Results - Financial Statements

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

B. Financial Statement Finding

Finding 2022-01: Material Weakness over Financial Reporting – Material Audit Adjustment

Type of Finding: Material Weakness

Condition and Criteria: The City's internal control over financial reporting should ensure all financial statement amounts are adjusted to be in accordance with generally accepted accounting principles (GAAP). During the audit, we proposed several audit adjustments that were material to the City's financial statements. The overall audit adjustments for governmental funds decreased assets by \$1,911,862, increased liabilities by \$403,056, and decreased fund balance by \$2,314,919. The overall audit adjustments for the utility funds decreased assets by \$356,362, increased liabilities by \$4,878,561, and decreased fund balance by \$5,234,924.

Cause: The City did not to identify all the adjustments needed during the year-end close process to adjust the general ledger balances to be in accordance with GAAP.

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

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

View of Responsible Officials: We are in agreement with the finding, and we are working to improve financial reporting in the future.

Finding 2022-02: Segregation of Duties

Type of Finding: Significant Deficiency

Condition and Criteria: The City's control structure does not allow for supervisory oversight on routine accounting procedures, such as journal entries, account reconciliations, utility billing and adjustments, and internal reporting.

Cause: The City's administrative offices experienced turnover in multiple key positions during the year. As a result of the transitions, many duties that were previously performed by the assistant finance director and reviewed by the finance director are now being performed by the finance director without a reviewer. The current structure does not allow for an appropriate review of accounting data and financial information used to prepare financial statements that are fairly presented in accordance with GAAP.

CITY OF GRAHAM, TEXAS
Schedule of Findings and Responses - continued
For the Year Ended September 30, 2022

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

Recommendation: The City should evaluate its organizational chart and job descriptions in the administrative department to determine how to best utilize the administrative team. The structure should provide the level of review and approval necessary to facilitate the review of accounting data and financial information used to prepare financial statements that are fairly presented in accordance with GAAP.

CITY OF GRAHAM, TEXAS
Status of Prior Year Findings
For the Year Ended September 30, 2022

Finding 2021-01: Material Weakness over Financial Reporting – Material Audit Adjustment

Type of Finding: Material Weakness

Condition and Criteria: The City’s internal control over financial reporting should ensure all financial statement amounts are adjusted to be in accordance with generally accepted accounting principles (GAAP). During the audit, we proposed several audit adjustments that were material to the City’s financial statements. The overall audit adjustments for governmental funds increased assets by \$520,757, decreased liabilities by \$77,858, and increased fund balance by \$598,615. The overall audit adjustments for the utility funds decreased assets by \$799,114, increased liabilities by \$440,516, and decreased fund balance by \$1,239,630.

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

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

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

View of Responsible Officials: We are in agreement with the finding, and we are working to improve financial reporting in the future.

Status: See finding 2022-01

Finding 2021-02: Municipal Court Reporting

Type of Finding: Significant Deficiency

Criteria or Specific Requirement: The Municipal Court is required to submit quarterly reports to the State of Texas, which details Court receipts and calculates the remittance due back to the State.

Statement of Condition: The quarterly reports did not include all deposits received by the City, and therefore calculated an incorrect amount due back to the State.

Cause: Municipal Court payments paid on credit cards were deposited into a separate account from other receipts. These payments were captured in the City’s general ledger but were not recorded in the Municipal Court system. The quarterly reports were created based on Municipal Court records, which did not include all payments.

Effect: The City was required to correct the reports and remit an additional amount due to the State.

Recommendations: The City should reconcile the deposits received and recorded in the accounting software to the records maintained by the Municipal Court on a monthly basis. The quarterly reports should be reviewed and approved by an individual other than the preparer.

View of Responsible Officials: Finance Department staff have taken action to review and reconcile Municipal Court deposits monthly. After Municipal Court prepares the quarterly report, Finance Department staff review and approved prior to submission.

Status: Corrected