

**CITY OF RICHWOOD, TEXAS**

**ANNUAL FINANCIAL REPORT**

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



**CITY OF RICHWOOD, TEXAS**

**ANNUAL FINANCIAL REPORT**

SEPTEMBER 30, 2021

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the City Council  
City of Richwood, Texas

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richwood, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Richwood, Texas' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2022, on our consideration of the City of Richwood, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Richwood, Texas' internal control over financial reporting and compliance.

*Patillo, Brown & Hill, L.L.P.*

Waco, Texas  
February 14, 2022



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of Richwood (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$15,474,386 (net position). Of this amount, \$2,043,592 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation.
- The City's total net position increased by \$842,167, primarily caused by increases to property and sales tax revenues, and the receipt of one-time grant funds related to the COVID-19 pandemic.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,859,115. 38.48% of this total amount, \$2,254,577 (unassigned fund balance) is available for use at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,254,577 or 90.83% of the total general fund expenditures. Sound financial management practices call for at least 25% of unassigned fund balance to general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The *governmental activities* of the City include general administration, public safety, public works, and parks and recreation. The *business-type activities* of the City include water and sewer and sanitation operations.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund and the Capital Projects Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single aggregation presentation. The governmental fund financial statements can be found on pages 12 through 16 of this report.

- **Proprietary Funds.** The City maintains one category of *proprietary funds*-Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its water and sewer, and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 18 through 20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund, and information concerning the City's net pension and total OPEB liability. Required supplementary information can be found on pages 84 and 90 of this report.

Combining and individual fund statements and schedules are presented following the required supplementary information. These statements and schedules can be found on pages 55 through 62 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,474,386 as of September 30, 2021.

The largest portion of the City's net position, \$12,483,689 (80.67%) reflects its investments in capital assets (e.g., land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$947,105 (6.12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,043,592 (13.21%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2021, the City was able to report positive balances in all three categories of net position for both governmental activities and business-type activities. The following table shows the condensed Statement of Net Position for the City for the current and prior fiscal years:

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 6,960,738	\$ 5,364,503	\$ 3,994,346	\$ 4,404,429	\$ 10,955,084	\$ 9,768,932
Capital assets	10,745,510	9,216,823	7,098,618	6,487,717	17,844,128	15,704,540
Total assets	<u>17,706,248</u>	<u>14,581,326</u>	<u>11,092,964</u>	<u>10,892,146</u>	<u>28,799,212</u>	<u>25,473,472</u>
Deferred outflows of resources	173,924	176,803	15,895	29,624	189,819	206,427
Long-term liabilities						
outstanding	6,980,684	5,159,023	4,889,622	5,125,076	11,870,306	10,284,099
Other liabilities	995,926	364,401	504,795	268,904	1,500,721	633,305
Total liabilities	<u>7,976,610</u>	<u>5,523,424</u>	<u>5,394,417</u>	<u>5,393,980</u>	<u>13,371,027</u>	<u>10,917,404</u>
Deferred inflows of resources	131,033	104,880	12,585	25,396	143,618	130,276
Net position:						
Net investment						
in capital assets	7,147,004	7,201,320	5,336,685	5,032,390	12,483,689	12,233,710
Restricted	820,624	602,837	126,481	-	947,105	602,837
Unrestricted	<u>1,804,901</u>	<u>1,325,668</u>	<u>238,691</u>	<u>470,004</u>	<u>2,043,592</u>	<u>1,795,672</u>
Total net position	<u>\$ 9,772,529</u>	<u>\$ 9,129,825</u>	<u>\$ 5,701,857</u>	<u>\$ 5,502,394</u>	<u>\$ 15,474,386</u>	<u>\$ 14,632,219</u>

**Analysis of the City's Operations.** The following table provides a summary of the City's operations for the year ended September 30, 2021. Governmental activities increased the City's net position by \$642,704. Business-type activities increased the City's net position by \$199,463. The following table shows the condensed Statement of Activities for the current and prior fiscal years:

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 356,541	\$ 344,078	\$ 2,299,823	\$ 2,209,214	\$ 2,656,364	\$ 2,553,292
Operating grants and contributions	250,494	88,532	-	-	250,494	88,532
General revenues:						
Property taxes	2,153,103	2,032,735	-	-	2,153,103	2,032,735
Sales taxes	801,320	697,307	-	-	801,320	697,307
Franchise taxes	190,346	193,929	-	-	190,346	193,929
Investment income	4,835	46,740	4,003	50,882	8,838	97,622
Miscellaneous	12,892	414	2,784	38,986	15,676	39,400
Total revenues	<u>3,769,531</u>	<u>3,403,735</u>	<u>2,374,301</u>	<u>2,299,082</u>	<u>6,143,832</u>	<u>5,702,817</u>
Expenses:						
General government	863,714	913,729	-	-	863,714	913,729
Judicial	87,512	79,391	-	-	87,512	79,391
Public safety	1,299,647	1,447,851	-	-	1,299,647	1,447,851
Public works	519,306	644,720	-	-	519,306	644,720
Culture and recreation	59,634	62,259	-	-	59,634	62,259
Interest on long-term debt	217,014	160,050	-	-	217,014	160,050
Water, sewer, and sanitation	-	-	2,254,838	2,166,547	2,254,838	2,166,547
Total expenses	<u>3,046,827</u>	<u>3,308,000</u>	<u>2,254,838</u>	<u>2,166,547</u>	<u>5,301,665</u>	<u>5,474,547</u>
Increases in net position before transfers and extraordinary item (expense)	722,704	95,735	119,463	132,535	842,167	228,270
Transfers	( 80,000)	( 58,687)	80,000	58,687	-	-
Increase (decrease) in net position	642,704	37,048	199,463	191,222	842,167	228,270
Net position, beginning	<u>9,129,825</u>	<u>9,265,261</u>	<u>5,502,394</u>	<u>5,236,107</u>	<u>14,632,219</u>	<u>14,501,368</u>
Prior period adjustment	-	( 172,484)	-	75,065	-	( 97,419)
Net position, ending	<u>\$ 9,772,529</u>	<u>\$ 9,129,825</u>	<u>\$ 5,701,857</u>	<u>\$ 5,502,394</u>	<u>\$ 15,474,386</u>	<u>\$ 14,632,219</u>

## Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported ending fund balances of \$5,859,115. \$2,254,577 (38.48%) of this total amount constitutes unassigned fund balance. The remainder of the fund balance is either non-spendable, restricted or committed to indicate that it is not available for new spending. The most significant restrictions include \$53,515 for debt service, \$718,758 restricted for street maintenance/transportation projects, and \$2,755,020 restricted for capital projects from the 2019A and 2021 bond issuances.

The General Fund is the primary operating fund of the City. The General Fund's fund balance increased by \$501,486. This was primarily caused by increased property tax and sales tax revenues that are reflective of the continued growth in the City's population and economy. Additionally, the City received approximately \$200,000 of one-time grant funds to defray costs of the COVID-19 pandemic; in contrast, expenditures were relatively flat year-over-year.

The Debt Service Fund's fund balance decreased by \$29,991, primarily due to the City's debt service payments increasing from the issuance of bonds in the prior year. An increase in the debt service property tax rate covered most of the increased cost, and management will consider the need for additional tax revenues to cover future debt service.

The Capital Projects Fund balance increased by \$245,349. The fund received net proceeds of the issuance of the 2021 General Obligation Bonds of approximately \$2.05 million; project costs for those bond-funded projects amounted to \$1.8 million. Fund balances are expected to continue decreasing as project costs are incurred.

**Proprietary fund.** As mentioned earlier, the City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

At September 30, 2021 the proprietary fund had \$238,691 in unrestricted net position and total net position increased by \$199,463. The increase in net position was largely due to increases in charges for services revenue from increased demand for services and a slight rate increase. Certain scheduled maintenance that was delayed will occur in future years.

**General Fund Budgetary Highlights.** Actual revenues exceeded budget by \$358,121 mainly due to increases in sales tax revenues and the receipt of the COVID-19 grant funding that was mentioned previously. Expenditures exceeded appropriations by \$82,474 primarily due to unanticipated costs incurred in general administration.

## Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, was \$17,844,128 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress.

### Capital Assets at Year-end, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 335,262	\$ 335,262	\$ 122,580	\$ 122,580	\$ 457,842	\$ 457,842
Buildings	1,474,591	1,523,029	58,546	63,140	1,533,137	1,586,169
Furniture, equipment, and vehicles	678,454	694,613	63,310	75,138	741,764	769,751
Infrastructure	5,867,625	6,076,431	5,543,515	5,815,286	11,411,140	11,891,717
Construction in progress	2,389,578	587,488	1,310,667	411,573	3,700,245	999,061
Total	\$ 10,745,510	\$ 9,216,823	\$ 7,098,618	\$ 6,487,717	\$ 17,844,128	\$ 15,704,540

Significant events related to capital assets during the year were primarily related to the bond-funded projects started in 2019 and 2021. In the governmental activities, project costs of approximately \$1.8 million were completed on various bond-funded street and sidewalk improvements and expansions. In the business-type activities, work continued on the North Water Plant project, incurring costs of approximately \$783,000, and Magnolia sewer line replacements were begun with an incurred cost of \$115,000.

Additional information on the City's capital assets can be found in the notes to the financial statements.

### Debt Administration

At the end of the current fiscal year, the City had total long-term debt of \$11,228,284. This represents an increase of \$1,638,256 from the prior year due to the issuance of \$1.9 million of new General Obligation Bonds to fund additional streets capital projects. Business-type activities decreased its debt due to continued payments of debt service without issuing any new debt in the current year.

#### Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Certificates of obligation	\$ 695,000	\$ 745,000	\$ 610,000	\$ 675,000	\$ 1,305,000	\$ 1,420,000
General obligation bonds	4,680,000	2,945,000	3,680,000	3,730,000	8,360,000	6,675,000
Notes	205,676	221,359	-	-	205,676	221,359
Capital leases	308,196	328,006	204,970	268,168	513,166	596,174
Premium on bonds	464,654	285,809	337,682	349,797	802,336	635,606
Compensated Absences	37,160	36,233	4,946	5,656	42,106	41,889
Total	<u>\$ 6,390,686</u>	<u>\$ 4,561,407</u>	<u>\$ 4,837,598</u>	<u>\$ 5,028,621</u>	<u>\$ 11,228,284</u>	<u>\$ 9,590,028</u>

All of the outstanding Bonds of the City payable from its limited taxes are insured and are, therefore, rated "Aaa" by Moody's Investors Service Inc ("Moody's"), and "AAA" by Standard & Poor's ("S&P"). The underlying rating on all of such Bonds and other obligations payable from such source are "A1" by Moody's and "A+" by S&P.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

In the FY 2021-2022 Budget, General Fund revenues are budgeted to increase by 382,944, or 14.2%, from the 2020-2021 budget year due to post-COVID levels returning, as well as an increase in sales tax and property tax revenue.

Certified assessed valuation increased by 6% over the preceding year. Net property tax, taxes after payments for 380 Agreements will increase by \$107,082, or approximately 6%.

The Enterprise Fund's 2021-2022 budgeted expenses are expected to decrease by (2.6%) over the preceding year's budget. As recommended by a cost study performed by Strand & Associates, sewer rates were increased in the 2020-2021 fiscal year. It will be proposed by staff to do a similar increase to water and sewer rates during the 2021-2022 fiscal year.

### Request for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Secretary, 1800 N. Brazosport Blvd, Richwood, Texas, 77531, or call (979) 265-2082.

**BASIC  
FINANCIAL STATEMENTS**

**CITY OF RICHWOOD, TEXAS**

**STATEMENT OF NET POSITION**

SEPTEMBER 30, 2021

	Primary Government		Primary Government	Component Unit
	Governmental Activities	Business-type Activities	Total	Crime Control & Prevention District
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,807,543	\$ 433,537	\$ 6,241,080	\$ 187,073
Investments	856,290	186,708	1,042,998	-
Receivables (net of allowances for uncollectibles):				
Taxes	166,879	-	166,879	25,590
Accounts	125,133	306,866	431,999	-
Accrued interest	1,267	142	1,409	141
Internal balances	3,626	( 3,626)	-	-
Restricted assets:				
Cash and cash equivalents	-	3,070,559	3,070,559	-
Accrued interest receivable	-	160	160	-
Capital assets (net of accumulated depreciation):				
Non-depreciable	2,724,840	1,433,247	4,158,087	-
Depreciable	8,020,670	5,665,371	13,686,041	-
Total assets	<u>17,706,248</u>	<u>11,092,964</u>	<u>28,799,212</u>	<u>212,804</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflow related to TMRS pension	130,671	12,844	143,515	-
Deferred outflow related to TESRS pension	12,210	-	12,210	-
Deferred outflow related to OPEB	31,043	3,051	34,094	-
Total deferred outflows of resources	<u>173,924</u>	<u>15,895</u>	<u>189,819</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	426,721	369,347	796,068	-
Accrued liabilities	54,978	-	54,978	-
Accrued interest payable	17,593	10,322	27,915	-
Unearned revenue	496,634	-	496,634	-
Customer deposits	-	125,126	125,126	-
Noncurrent liabilities:				
Due within one year:				
Long-term debt	338,870	222,108	560,978	-
Due in more than one year:				
Long-term debt	6,051,816	4,615,490	10,667,306	-
Net pension liability - TMRS	432,224	42,487	474,711	-
Net pension liability - TESRS	60,758	-	60,758	-
OPEB - TMRS	97,016	9,537	106,553	-
Total liabilities	<u>7,976,610</u>	<u>5,394,417</u>	<u>13,371,027</u>	<u>-</u>

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



**CITY OF RICHWOOD, TEXAS**

**STATEMENT OF NET POSITION**

SEPTEMBER 30, 2021

	Primary Government		Primary Government	Component Unit
	Governmental Activities	Business-type Activities	Total	Crime Control & Prevention District
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred resource inflow related to TMRS pension	118,848	11,682	130,530	-
Deferred resource inflow related to TESRS pension	2,993	-	2,993	-
Deferred resource inflow related to OPEB	9,192	903	10,095	-
Total deferred inflows of resources	\$ 131,033	\$ 12,585	\$ 143,618	\$ -
<b>NET POSITION</b>				
Net investment in capital assets	\$ 7,147,004	\$ 5,336,685	\$ 12,483,689	\$ -
Restricted:				
Public Safety	1,023	-	1,023	212,804
Debt service	38,254	-	38,254	-
Transportation	718,758	-	718,758	-
Beautification	34,140	-	34,140	-
Court security and technology	27,856	-	27,856	-
Police training	593	-	593	-
Capital projects	-	126,481	126,481	-
Unrestricted	1,804,901	238,691	2,043,592	-
Total net position	\$ 9,772,529	\$ 5,701,857	\$ 15,474,386	\$ 212,804

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

**CITY OF RICHWOOD, TEXAS**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Function/Program Activities	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 863,714	\$ 116,239	\$ 234,118	\$ -
Judicial	87,512	95,363	-	-
Public safety	1,299,647	74	1,086	-
Public works	519,306	141,215	-	-
Culture and recreation	59,634	3,650	15,290	-
Interest and charges on long-term debt	217,014	-	-	-
<b>Total governmental activities</b>	<u>3,046,827</u>	<u>356,541</u>	<u>250,494</u>	<u>-</u>
Business-type activities:				
Water, sewer, and sanitation	2,254,838	2,299,823	-	67,691
<b>Total Business-type activities</b>	<u>2,254,838</u>	<u>2,299,823</u>	<u>-</u>	<u>67,691</u>
<b>Total primary government</b>	<u>\$ 5,301,665</u>	<u>\$ 2,656,364</u>	<u>\$ 250,494</u>	<u>67,691</u>
<b>Component unit:</b>				
Crime Control & Prevention District	\$ 132,095	\$ -	\$ -	-
General revenues:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Sales taxes				
Franchise taxes				
Miscellaneous				
Investment earnings				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position -- beginning				
Net position -- ending				

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

Net (Expense) Revenue and Changes in Net Position			Component
Primary Government			Unit
Governmental Activities	Business-Type Activities	Total	Crime Control & Prevention District
\$ ( 513,357)	\$ -	\$ ( 513,357)	\$ -
7,851	-	7,851	-
( 1,298,487)	-	( 1,298,487)	-
( 378,091)	-	( 378,091)	-
( 40,694)	-	( 40,694)	-
( 217,014)	-	( 217,014)	-
( 2,439,792)	-	( 2,439,792)	-
-	112,676	112,676	-
-	112,676	112,676	-
\$ ( 2,439,792)	\$ 112,676	\$ ( 2,327,116)	\$ -
\$ -	\$ -	\$ -	\$ ( 132,095)
\$ 1,775,303	\$ -	\$ 1,775,303	\$ -
377,800	-	377,800	-
801,320	-	801,320	158,402
190,346	-	190,346	-
12,892	2,784	15,676	-
4,835	4,003	8,838	6
( 80,000)	80,000	-	-
3,082,496	86,787	3,169,283	158,408
642,704	199,463	842,167	26,313
9,129,825	5,502,394	14,632,219	186,491
\$ 9,772,529	\$ 5,701,857	\$ 15,474,386	\$ 212,804

**CITY OF RICHWOOD, TEXAS**

BALANCE SHEET  
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,939,051	\$ -
Investments	798,626	57,664
Receivables (net of allowance for uncollectibles):		
Taxes	138,164	2,911
Accounts	104,883	-
Accrued interest	584	164
Due from other funds	8,518	-
Total assets	<u>2,989,826</u>	<u>60,739</u>
<b>LIABILITIES</b>		
Accounts payable	47,430	-
Accrued liabilities	54,978	-
Due to other funds	-	4,892
Unearned revenue	496,634	-
Total liabilities	<u>599,042</u>	<u>4,892</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	15,848	2,332
Unavailable revenue - municipal court fines	105,110	-
Total deferred inflows of resources	<u>120,958</u>	<u>2,332</u>
<b>FUND BALANCES</b>		
Restricted for:		
Debt service	-	53,515
Court security and technology	-	-
Police training	593	-
Seizure and forfeiture	1,023	-
Beautification	-	-
Transportation	-	-
Capital construction	-	-
Committed for:		
Insurance	13,633	-
Unassigned	2,254,577	-
Total fund balances	<u>2,269,826</u>	<u>53,515</u>
Total liabilities, deferred inflows, and fund balances	\$ <u>2,989,826</u>	\$ <u>60,739</u>

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

Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,133,546	\$ 734,946	\$ 5,807,543
-	-	856,290
-	25,804	166,879
-	20,250	125,133
-	519	1,267
-	-	8,518
<u>3,133,546</u>	<u>781,519</u>	<u>6,965,630</u>
378,526	765	426,721
-	-	54,978
-	-	4,892
-	-	496,634
<u>378,526</u>	<u>765</u>	<u>983,225</u>
-	-	18,180
-	-	105,110
<u>-</u>	<u>-</u>	<u>123,290</u>
-	-	53,515
-	27,856	27,856
-	-	593
-	-	1,023
-	34,140	34,140
-	718,758	718,758
2,755,020	-	2,755,020
-	-	13,633
<u>-</u>	<u>-</u>	<u>2,254,577</u>
<u>2,755,020</u>	<u>780,754</u>	<u>5,859,115</u>
\$ <u>3,133,546</u>	\$ <u>781,519</u>	\$ <u>6,965,630</u>

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**CITY OF RICHWOOD, TEXAS**

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

SEPTEMBER 30, 2021

Total fund balances - governmental funds \$ 5,859,115

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 10,745,510

Revenue reported as unavailable revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.

Property taxes 18,180

Municipal court fines 105,110

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an expenditure is reported when due. ( 17,593)

Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Also, the loss on refunding of bonds, the premium on issuance of bonds and deferred resource outflows (inflows) related to the net pension liability are not reported in the funds.

Bonds payable ( 5,375,000)

Premiums and discounts on bonds payable ( 464,654)

Notes payable ( 513,872)

Compensated absences ( 37,160)

Net pension liabilities ( 492,982)

Total OPEB liability ( 97,016)

Deferred outflows and inflows related to pensions 21,040

Deferred outflows and inflows related to other post-employment benefits 21,851

( 6,937,793)

Net position of governmental activities \$ 9,772,529

**CITY OF RICHWOOD, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property taxes	\$ 1,780,525	\$ 378,574
Sales taxes	641,056	-
Franchise taxes	190,346	-
Licenses and permits	81,282	-
Intergovernmental revenues	235,204	-
Charges for services	38,607	-
Fines and forfeitures	89,387	-
Contributions	-	-
Investments earnings	2,180	418
Miscellaneous	8,103	-
Total revenues	<u>3,066,690</u>	<u>378,992</u>
<b>EXPENDITURES</b>		
Current:		
General government	797,055	-
Judicial	85,968	-
Public safety	1,291,236	-
Public works	229,152	-
Culture and recreation	43,955	-
Capital outlay	-	-
Debt service:		
Principal	22,016	268,477
Interest and fiscal charges	12,822	140,506
Total expenditures	<u>2,482,204</u>	<u>408,983</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>584,486</u>	<u>( 29,991)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Issuance of long-term debt	-	-
Premium on issuance of debt	-	-
Transfers in	-	-
Transfers out	( 83,000)	-
Total other financing sources (uses)	<u>( 83,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	501,486	( 29,991)
<b>FUND BALANCE - BEGINNING</b>	<u>1,768,340</u>	<u>83,506</u>
<b>FUND BALANCE - ENDING</b>	\$ <u>2,269,826</u>	\$ <u>53,515</u>



Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,159,099
-	160,264	801,320
-	-	190,346
-	-	81,282
-	-	235,204
-	141,215	179,822
-	740	90,127
-	15,290	15,290
2,179	58	4,835
-	4,789	12,892
<u>2,179</u>	<u>322,356</u>	<u>3,770,217</u>
-	-	797,055
-	-	85,968
-	-	1,291,236
-	71,024	300,176
-	15,679	59,634
1,802,090	-	1,802,090
-	-	290,493
89,577	-	242,905
<u>1,891,667</u>	<u>86,703</u>	<u>4,869,557</u>
( 1,889,488)	235,653	( 1,099,340)
1,940,000	-	1,940,000
194,837	-	194,837
-	3,000	3,000
-	-	( 83,000)
<u>2,134,837</u>	<u>3,000</u>	<u>2,054,837</u>
245,349	238,653	955,497
<u>2,509,671</u>	<u>542,101</u>	<u>4,903,618</u>
\$ 2,755,020	\$ 780,754	\$ 5,859,115

**CITY OF RICHWOOD, TEXAS**

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

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

Net change in fund balances - total governmental funds:	\$ 955,497
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays for the fiscal year.	1,915,890
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	( 387,203)
Current year long-term debt principal payments on contractual obligations, bonds payable and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	290,493
The issuance of long-term debt increases fund balance in the governmental funds, but has no effect on net position.	( 2,134,837)
Certain expenses do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	
Premium on bonds payable	15,992
Accrued interest payable	9,899
Compensated absences	( 927)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	( 686)
Certain pension and other post-employment (OPEB) expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows and inflows. These items relate to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension and OPEB liabilities were amortized.	( 21,414)
Change in net position - statement of activities	\$ <u>642,704</u>

**CITY OF RICHWOOD, TEXAS**

STATEMENT OF NET POSITION - PROPRIETARY FUND

SEPTEMBER 30, 2021

	<u>Business-Type Activities</u> <u>Water, Sewer</u> <u>and Sanitation</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 433,537
Investments	186,708
Receivables (net of allowances for uncollectibles):	
Accounts	306,866
Accrued interest	142
Restricted assets:	
Cash and cash equivalents	3,070,559
Accrued interest receivable	160
Total current assets	<u>3,997,972</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Non-depreciable	1,433,247
Depreciable	<u>5,665,371</u>
Total noncurrent assets	<u>7,098,618</u>
Total assets	<u>11,096,590</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow related to TMRS pensions	12,844
Deferred outflow related to OPEB	<u>3,051</u>
Total deferred outflows of resources	<u>15,895</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	369,347
Accrued interest payable	10,322
Due to other funds	3,626
Customer deposits	125,126
Compensated absences - current	1,414
Capital lease payable - current	65,694
Bonds payable - current	<u>155,000</u>
Total current liabilities	<u>730,529</u>
Noncurrent liabilities:	
Bonds payable	4,472,682
Compensated absences	3,532
Capital lease payable	139,276
Net pension liability - TMRS	42,487
Total OPEB liability	<u>9,537</u>
Total noncurrent liabilities	<u>4,667,514</u>
Total liabilities	<u>5,398,043</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred resource inflow related to TMRS pension	11,682
Deferred resource inflow related to OPEB	<u>903</u>
Total deferred inflows of resources	<u>12,585</u>
<b>NET POSITION</b>	
Net investment in capital assets	5,336,685
Restricted for capital projects	126,481
Unrestricted	<u>238,691</u>
Total net position	\$ <u><u>5,701,857</u></u>

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

**CITY OF RICHWOOD, TEXAS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - PROPRIETARY FUND**

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

	<u>Business-Type Activities</u> <u>Water, Sewer</u> <u>and Sanitation</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water fees	\$ 1,088,489
Sewer fees	859,114
Garbage fees	308,782
Delinquent charges	27,989
Tap and reconnect fees	15,449
Miscellaneous revenue	<u>2,784</u>
Total operating revenues	<u>2,302,607</u>
<b>OPERATING EXPENSES</b>	
Personnel services	266,599
Materials and supplies	32,580
Maintenance and repair	177,854
Contractual services	449,360
Water purchases	298,994
Refuse collection	263,925
Sewer treatment plant operations	332,860
Depreciation	<u>288,193</u>
Total operating expenses	<u>2,110,365</u>
<b>OPERATING INCOME</b>	<u>192,242</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment earnings	4,003
Capital grants - intergovernmental	67,691
Interest expense	( 144,473)
Total nonoperating revenues (expenses)	<u>( 72,779)</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>119,463</u>
Transfers in	<u>80,000</u>
Total transfers	<u>80,000</u>
<b>CHANGE IN NET POSITION</b>	199,463
<b>TOTAL NET POSITION - BEGINNING</b>	<u>5,502,394</u>
<b>TOTAL NET POSITION - ENDING</b>	\$ <u>5,701,857</u>

**CITY OF RICHWOOD, TEXAS**

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Business-Type Activities</u> <u>Water, Sewer</u> <u>and Sanitation</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 2,380,428
Payments to suppliers and service providers	( 1,326,399)
Payments to employees for salaries and benefits	( 310,822)
Net cash provided by operating activities	<u>743,207</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	<u>80,000</u>
Net cash provided by noncapital financing activities	<u>80,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	( 899,094)
Capital grants	67,691
Payments on long-term debt	( 178,198)
Interest paid on long-term debt	( 179,021)
Net cash used for capital and related financing activities	<u>( 1,188,622)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	4,003
Proceeds from sale of investments	( 921)
Net cash provided by investing activities	<u>3,082</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	( 362,333)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>3,866,429</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>3,504,096</u>
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	<u>192,242</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	288,193
(Increase) decrease in accounts receivable	46,216
(Increase) decrease in other receivables	969
(Increase) decrease in deferred outflows of resources	13,729
Increase (decrease) in accounts payable	229,174
Increase (decrease) in interfund payables	1,486
Increase (decrease) in customer deposits	29,150
Increase (decrease) in compensated absences	( 710)
Increase (decrease) in net pension liability	( 41,145)
Increase (decrease) in net OPEB liability	( 3,286)
Increase (decrease) in deferred inflows of resources	( 12,811)
Total adjustments	<u>550,965</u>
Net cash provided by operating activities	\$ <u>743,207</u>

## **CITY OF RICHWOOD, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2021

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Richwood (the City) operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, public services (utility facilities), public recreation, public benefits (health and welfare), and general administrative services.

The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The City's Financial Statements are in accordance with GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38 "Certain Financial Statement Disclosures" which changes the note disclosure requirements in the financial statements for governmental entities.

The following is a summary of the most significant accounting policies.

##### **A. Reporting Entity**

The City is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the City's financial reporting entity. Based on these considerations, the City's basic financial statements do not include any other entities. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The members of City council (the "members") are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14. and No. 34".

The following component units are included within the City's financial reporting entity:

***Richwood Crime Control and Prevention District (CCPD)***

The Richwood CCPD was established in 2009 by a vote by the citizens of Richwood. The District was created for the purposes of helping fund crime control and prevention activities within the City. The District is funded by a ¼ cent portion of the City's sales tax revenues. The 7-member board of directors is appointed by City Council. The boards are not substantively the same, and thus the CCPD is included in the government-wide financial statements as a discretely presented component unit. Separate financial statements are not available.

***Keep Richwood Beautiful***

Keep Richwood Beautiful (KRB) organizes efforts to fund and organize beautification efforts to public spaces within the City. KRB's primary funding source is from a voluntary surcharge levied on the City's utility customers on each bill. KRB is governed by an all-volunteer commission. All volunteers are appointed by City Council. The City has the ability to set the rates on utility bills, approve all expenses through the City's AP system, and has access to KRB's resources in the form of check-signing privileges. Thus, KRB has been included as a blended component unit and is shown as a nonmajor special revenue fund. Separate financial statements are not available.

**B. Government-Wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given program 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 program and 2) operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Interfund activities between governmental funds appear as due to/due from on the Governmental Funds Balance Sheet and as other resources and other uses on the Governmental Funds Statement of Revenues, Expenditure and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and proprietary funds remain as receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and proprietary funds. The City does not have any fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has only one proprietary fund.

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

Property taxes, franchise taxes, licenses, municipal court revenues 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. All other revenue items are considered measurable and available only when cash is received by the government.

The City has presented the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Debt Service Fund** accounts for the accumulation of resources for the annual payment of general long-term debt principal and interest of the governmental funds.

The **Capital Projects Fund** accounts for the proceeds of the General Obligation Bonds issued for street and road improvements; sidewalk construction and improvements; drainage improvements and flood control projects.

The City reports the following major proprietary fund:

The **Water, Sewer and Sanitation Enterprise Fund** is used to account for the provision of water, sewer and sanitation services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility and sanitation customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. 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 City's Enterprise Fund are charges to customers for sales and services. The City also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the Enterprise Fund includes 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 City's policy to use restricted resources first, and then unrestricted resources as they are needed.



#### **D. Encumbrances**

The City utilizes encumbrance accounting, in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executor contracts) and are used to control expenditures for the period and to enhance cash management. The City often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

Prior to the end of the current period, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the current period end, the City likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the City allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate. The City had no outstanding encumbrances as September 30, 2021.

#### **E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

##### **1. Cash and Cash Equivalents**

Investments for the City are reported at fair value, except for the position in investment pools. The City's investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial statements as cash and investments or restricted cash and investments. The City's cash and investments are considered as cash equivalents as they can be readily converted to cash at their carrying value.

For purposes of the statement of cash flows, the City considers cash and other investments with maturities of three months or less from the date of purchase to be cash and cash equivalents.

##### **2. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from/to other funds" and "advances to/from other funds" on the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

##### **3. Capital Assets**

Capital assets, which includes land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are reported at acquisition value. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Assets capitalized have an original cost of \$ 5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	31-40 years
Furniture, equipment, and vehicles	5-10 years
Infrastructure:	
Water and sewer system	45 years
General infrastructure assets	40-45 years

#### 4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the City is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the City, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The taxable value of the property tax roll on January 1, upon which the levy for the 2020-2021 fiscal year was based, was \$339,837,039 after deduction of all exemptions and frozen values. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to penalty and Interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2021, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$0.517222 and \$0.110248 per \$ 100 valuation, respectively, for a total of \$0.62747 per \$100 valuation.

Current tax collections for the year ended September 30, 2021 were 99.5% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

#### 5. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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 or expenditure) until then. The City has the following items that qualify for reporting in this category.

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following types of items that qualify for reporting in this category.

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension and OPEB experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

#### 6. Pension Plans and OPEB Plans

For purposes of measuring the net pension liability, total OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) 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.

For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

#### 7. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The City has not recorded any bond premiums and discounts. Bond issuance costs are reported as expenditures or expenses in the current period.

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 the debt issued is reported as other financing resources. 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 City has not received any premiums and or discounts on debt issuances.

## 8. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-spendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by the ordinance of the City Council, the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance - This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City Council has by City Ordinance authorized City Manager to assign fund balance. The Council may also assign fund balance.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amount had been restricted, committed or assigned.

## 9. Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## 10. Use of Estimates

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

## **II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **Excess of Expenditures Over Appropriations**

Expenditures exceeded budgetary appropriations in the General Fund by \$82,474 for the year. This overage was the result of final yearend accruals that were recorded after the amended budget was finalized and was funded by greater than anticipated revenues.

## **III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

### **A. Deposits and Investments**

State statutes authorize the City to invest in obligations of the U. S. Treasury, the State of Texas or its agencies; other states, counties, cities, and state agencies with an "A" rating or equivalent, fully insured or collateralized bank certificates of deposit, and fully collateralized direct repurchase agreements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

#### **Deposits**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to them. The City requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

All deposits with financial institutions must be collateralized in an amount equal to 100 percent of uninsured balances. At year end, except for \$800 of petty cash, the carrying amount of the City's deposits was \$2,516,970, while the financial institution balances totaled \$2,644,148. Of the financial institution balances, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held by the City's agent in the City's name.

#### **Investments**

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the investment policy, which is approved by the City Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes and "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The City's management believes it complied with the requirements of the PFIA and the City's investment policy.

The City's Investment Officer submits an investment report each quarter to the City Council. The report details the investment positions of the City and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. Banker's acceptances as permitted by Government Code 2256.012;
5. Commercial paper as permitted by Government Code 2256.013;
6. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;

A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and Public funds investment pools as permitted by Government Code 2256.016.

The City is invested in a certificate of deposit to provide its liquidity needs. It has a maturity of less than 365 days. This investment is insured, registered, or the City's agent holds the securities in the City's name; therefore, the City is not exposed to custodial credit risk.

The City participates in three Local Government Investment Pools (LGIPs): TexPool, Logic, and TexSTAR. The State Comptroller oversees TexPool and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over Logic and TexSTAR, advisory boards consisting of participants or their designees, maintains oversight responsibility for Logic and TexSTAR.

TexPool, TexPool Prime, TexSTAR, and Logic all have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The following table includes the portfolio balances of all investment types of the City at September 30, 2021.

Investment Type	Reported Value	Days to Maturity
Certificate of Deposit	\$ 128,801	88
Certificate of Deposit	60,102	105
Certificate of Deposit	92,909	27
Certificate of Deposit	130,629	27
Certificate of Deposit	<u>107,679</u>	65
Total Certificates of Deposit	<u>520,120</u>	
		Weighted Average
Local Government Investment Pool:		Maturity (Days)
TexPool	239,776	38
TexPool Prime	3,824,093	49
TexSTAR	264,658	39
Logic	<u>3,411,970</u>	54
Total Local Government Investment Pool	<u>7,740,497</u>	
Total Investments	<u>\$ 8,260,617</u>	

Credit Risk - As of September 30, 2021, the LGIPs are rated AAAM by Standard and Poor's or AAA by Finch, while the remainder is invested in fully secured certificates of deposit.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lessor of a dollar weighted average maturity of 365 days of the anticipated cash flow requirements of the funds. Quality sort-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the City's cash flow requirements.

## B. Receivables

### Primary Government

Receivables as of September 30, 2021, for the government's funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Enterprise Fund	Total
Receivables:					
Property taxes	\$ 30,933	\$ 4,851	\$ -	\$ -	\$ 35,784
Sales taxes	103,218	-	25,804	-	129,022
Franchise taxes	16,386	-	-	-	16,386
Municipal Court Fines	700,734	-	-	-	700,734
Customer accounts	2,116	-	20,250	357,242	379,608
Accrued interest	584	164	519	142	1,409
Gross receivables	853,971	5,015	46,573	357,384	1,262,943
Less: allowance for uncollectibles	( 610,340)	( 1,940)	-	( 50,376)	( 662,656)
Net total receivables	\$ 243,631	\$ 3,075	\$ 46,573	\$ 307,008	\$ 600,287

### Discretely Presented Component Unit

The component unit, CCPD, reported a total receivable of \$25,590 on September 30, 2021, for its portion of sales tax receivable. Management considers this balance to be 100% collectable.

## C. Capital Assets

A summary of activity for capital assets for the year ended September 30, 2021, follows:

	Balance 9/30/2020	Additions	Deletions	Balance 9/30/2021
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 335,262	\$ -	\$ -	\$ 335,262
Construction in progress	587,488	1,802,090	-	2,389,578
Total capital assets, not being depreciated	922,750	1,802,090	-	2,724,840
Capital assets being depreciated:				
Buildings	2,012,725	-	-	2,012,725
Equipment, vehicles, furniture, and fixtures	2,571,908	113,800	-	2,685,708
Infrastructure	10,467,601	-	-	10,467,601
Total capital assets being depreciated	15,052,234	113,800	-	15,166,034
Less accumulated depreciation for:				
Buildings	( 489,696)	( 48,438)	-	( 538,134)
Equipment, vehicles, furniture, and fixtures	( 1,877,295)	( 129,959)	-	( 2,007,254)
Infrastructure	( 4,391,170)	( 208,806)	-	( 4,599,976)
Total accumulated depreciation	( 6,758,161)	( 387,203)	-	( 7,145,364)
Total capital assets being depreciated, net	8,294,073	( 273,403)	-	8,020,670
Governmental activities capital assets, net	\$ 9,216,823	\$ 1,528,687	\$ -	\$ 10,745,510

	Balance 9/30/2020	Additions	Deletions	Balance 9/30/2021
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 122,580	\$ -	\$ -	\$ 122,580
Construction in progress	<u>411,573</u>	<u>899,094</u>	<u>-</u>	<u>1,310,667</u>
Total capital assets, not being depreciated	<u>534,153</u>	<u>899,094</u>	<u>-</u>	<u>1,433,247</u>
Capital assets being depreciated:				
Buildings	193,270	-	-	193,270
Equipment, vehicles, furniture, and fixtures	340,005	-	-	340,005
Infrastructure	<u>11,644,457</u>	<u>-</u>	<u>-</u>	<u>11,644,457</u>
Total capital assets being depreciated	<u>12,177,732</u>	<u>-</u>	<u>-</u>	<u>12,177,732</u>
Less accumulated depreciation for:				
Buildings	( 130,130)	( 4,594)	-	( 134,724)
Equipment, vehicles, furniture, and fixtures	( 264,867)	( 11,828)	-	( 276,695)
Infrastructure	<u>( 5,829,171)</u>	<u>( 271,771)</u>	<u>-</u>	<u>( 6,100,942)</u>
Total accumulated depreciation	<u>( 6,224,168)</u>	<u>( 288,193)</u>	<u>-</u>	<u>( 6,512,361)</u>
Total capital assets being depreciated, net	<u>5,953,564</u>	<u>( 288,193)</u>	<u>-</u>	<u>5,665,371</u>
Business-type activities				
Capital assets, net	<u>\$ 6,487,717</u>	<u>\$ 610,901</u>	<u>\$ -</u>	<u>\$ 7,098,618</u>

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

Governmental Activities	
General government	\$ 59,444
Public safety	109,757
Public works	<u>218,002</u>
	<u>\$ 387,203</u>
Business-Type Activities	
Water, sewer and sanitation	<u>\$ 288,193</u>

Construction commitments at September 30, 2021, are as follows:

	Authorized Commitment	Expended To Date	Remaining Commitment
Governmental Activities			
Street improvements	\$ 3,000,000	\$ 2,018,186	\$ 981,814
Sidewalk construction/improvement	500,000	299,590	200,410
Drainage development/improvement	<u>1,500,000</u>	<u>51,870</u>	<u>1,448,130</u>
	<u>\$ 5,000,000</u>	<u>\$ 2,369,646</u>	<u>\$ 2,630,354</u>
Business-Type Activities			
North water plant	<u>\$ 4,072,932</u>	<u>\$ 887,482</u>	<u>\$ 3,185,450</u>
	<u>\$ 4,072,932</u>	<u>\$ 887,482</u>	<u>\$ 3,185,450</u>



## D. Long-term Debt

During the year ended September 30, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 2,945,000	\$ 1,940,000	\$ ( 205,000)	\$ 4,680,000	\$ 240,000
Certificates of obligation	745,000	-	( 50,000)	695,000	55,000
Bond issuance premiums/discounts	285,809	194,837	( 15,992)	464,654	-
Notes payable	221,359	-	( 15,683)	205,676	13,990
Capital leases	328,006	-	( 19,810)	308,196	20,590
Compensated Absences	36,233	64,762	( 63,835)	37,160	9,290
Governmental activities long-term liabilities	<u>\$ 4,561,407</u>	<u>\$ 2,199,599</u>	<u>\$ ( 370,320)</u>	<u>\$ 6,390,686</u>	<u>\$ 338,870</u>
<b>Business-Type Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 3,730,000	\$ -	\$ ( 50,000)	\$ 3,680,000	\$ 85,000
Certificates of obligation	675,000	-	( 65,000)	610,000	70,000
Bond issuance premiums/discounts	349,797	-	( 12,115)	337,682	-
Capital leases	268,168	-	( 63,198)	204,970	65,694
Compensated Absences	5,656	13,037	( 13,747)	4,946	1,414
Business-type activities long-term liabilities	<u>\$ 5,028,621</u>	<u>\$ 13,037</u>	<u>\$ ( 204,060)</u>	<u>\$ 4,837,598</u>	<u>\$ 222,108</u>

### General Obligation Bonds/Certificates of Obligation

In July 2021, the City issued City of Richwood, General Obligation Bonds, Series 2021 in the amount of \$1,940,000 to fund acquisition, design, construction, and improvement of certain city streets and sidewalks. The net proceeds of 2,045,000 (net of premium and related costs of issuance) were deposited in the Capital Projects Fund for the expenditure of future project costs. The bonds bear interest at 3% per annum.

The General Obligation Bonds and Certificates of Obligation are considered private placements; the notes payable and capital leases are classified as direct borrowings. The leases payable are secured by the leased equipment. Should the City default on the bonds, certificates, or notes, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment.

The following is a summary of the terms of obligations of general obligation bonds and certificates of obligation outstanding as of September 30, 2021:

#### Governmental Activities:

Series	Interest Rate	Original Issue	Maturity Date	Debt Outstanding
General Obligation Bonds:				
Series 2011 general obligation refunding bonds	3.13%	\$ 740,000	2024	\$ 200,000
Series 2019A general obligation	3.00-4.00%	2,780,000	2039	2,540,000
Series 2021 general obligation	3.00%	1,940,000	2031	1,940,000
				<u>4,680,000</u>
Certificates of Obligation:				
Series 2012 certificates of obligation	2.00-3.50%	1,115,000	2032	695,000
				<u>695,000</u>
Total Governmental Activities				<u>\$ 5,375,000</u>

#### Business-Type Activities:

Series	Interest Rate	Original Issue	Maturity Date	Debt Outstanding
General Obligation Bonds:				
Series 2019B general obligation	2.00-3.50%	3,750,000	2032	\$ 3,680,000
				<u>3,680,000</u>
Certificates of Obligation:				
Series 2004 combination tax and revenue certificates of obligation	3.00-4.00%	9,705,000	2045	145,000
Series 2011 combination tax and revenue certificates of obligation	3.00%-3.20%	770,000	2037	465,000
				<u>610,000</u>
Total Business-Type Activities				<u>\$ 4,290,000</u>

Annual debt service requirements to retire outstanding general obligation bonds and certificates of obligation are as follows:

Year Ending September 30,	General Obligation Bonds					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 240,000	\$ 155,830	\$ 395,830	\$ 85,000	\$ 138,500	\$ 223,500
2023	250,000	143,826	393,826	115,000	135,950	250,950
2024	255,000	136,241	391,241	135,000	132,500	267,500
2025	225,000	128,500	353,500	135,000	128,450	263,450
2026	225,000	121,750	346,750	135,000	124,400	259,400
2027-2031	1,175,000	501,150	1,676,150	665,000	557,850	1,222,850
2032-2036	1,255,000	288,800	1,543,800	675,000	428,000	1,103,000
2037-2041	1,055,000	73,700	1,128,700	670,000	293,600	963,600
2042-2046	-	-	-	665,000	160,200	825,200
2047-2050	-	-	-	400,000	32,000	432,000
	<u>\$ 4,680,000</u>	<u>\$ 1,549,797</u>	<u>\$ 6,229,797</u>	<u>\$ 3,680,000</u>	<u>\$ 2,131,450</u>	<u>\$ 5,811,450</u>

Year Ending September 30,	Certificates of Obligation					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 55,000	\$ 24,050	\$ 79,050	\$ 70,000	\$ 25,277	\$ 95,277
2023	55,000	22,400	77,400	75,000	21,965	96,965
2024	55,000	20,475	75,475	75,000	18,440	93,440
2025	60,000	18,550	78,550	85,000	14,755	99,755
2026	60,000	16,450	76,450	45,000	11,864	56,864
2027-2031	335,000	48,825	383,825	260,000	31,704	291,704
2032	75,000	2,625	77,625	-	-	-
	<u>\$ 695,000</u>	<u>\$ 153,375</u>	<u>\$ 848,375</u>	<u>\$ 610,000</u>	<u>\$ 124,004</u>	<u>\$ 734,004</u>

## Notes

During the year ended September 30, 2013, the City received a loan of \$ 300,000 from the First National Bank of Lake Jackson to finance the completion of the City Hall building. Quarterly principal and interest payments of \$ 5,347 are required with a 3.75% interest rate.

The following is the note repayment schedule as of September 30, 2021:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 13,990	\$ 7,399	\$ 21,389
2023	14,522	6,867	21,389
2024	15,074	6,314	21,388
2025	15,648	5,741	21,389
2026	16,243	5,146	21,389
2027-2031	90,962	15,981	106,943
2032-2034	39,237	1,365	40,602
	<u>\$ 205,676</u>	<u>\$ 48,813</u>	<u>\$ 254,489</u>

## Capital Lease

In January 2014, the Water and Sewer enterprise fund of the City entered into \$600,000 Equipment Lease Purchase Agreement with Green Campus Partners, LLC under a capital lease. The interest rate related to the lease obligation is 3.95% and the maturity date is January 2024. The City will have the option to purchase the Equipment, upon giving written notice to Lessor at least 30 days before the date of purchase and may exercise the option on or after January 31, 2020.

In November 2017, the General fund of the City entered into \$375,690 Equipment Lease Purchase Agreement with Community First National Bank under a capital lease. The interest rate related to the lease obligation is 3.93% and the maturity date is November 2032. The City will have the option to purchase the Equipment, upon giving written notice to Lessor at least 30 days before the date of purchase.

The following is a schedule showing the future minimum lease payments at September 30, 2021:

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Capital Leases			Capital Leases		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 20,590	\$ 12,122	\$ 32,712	\$ 65,694	\$ 8,096	\$ 73,790
2023	21,400	11,313	32,713	68,289	5,502	73,791
2024	22,241	10,471	32,712	70,987	2,804	73,791
2025	125,037	38,524	163,561	-	-	-
2026	118,928	11,920	130,848	-	-	-
	<u>\$ 308,196</u>	<u>\$ 84,350</u>	<u>\$ 392,546</u>	<u>\$ 204,970</u>	<u>\$ 16,402</u>	<u>\$ 221,372</u>

### Operating Leases

On February 26, 2010, the City's Enterprise Fund entered into an interlocal waste water transmission line lease agreement, an operating lease, with the City of Clute. The lease requires quarterly payments on January 15, April 15, July 15, and October 15 of each year from 2010 to 2025. The lease requires total payments of \$2,413,627 with varying quarterly payment. During the year ended September 30, 2021 the business-type activities reported expenses in the amount of \$139,550.

The following are the minimal lease payments required under these leases:

Year Ending September 30,	Total Lease Payments
2022	144,989
2023	147,095
2024	149,275
2025	151,532
2026	38,025
	<u>\$ 630,916</u>

### E. Interfund Receivables, Payables and Transfers

For the year ended September 30, 2021, interfund balances consisted of:

Receivable Fund	Payable Fund	Amount
General fund	Debt Service Fund	\$ 4,892
General fund	Enterprise Fund	<u>3,626</u>
		<u>\$ 8,518</u>

Interfund balances represent the portion accrued salaries payable that were paid by the general fund but reimbursable as an expense of other funds. The balances will be liquidated shortly after yearend.

For the year ended September 30, 2021, interfund transfers consisted of:

Transfers In	Transfers Out	Amount
Enterprise fund	General	\$ 80,000
Nonmajor governmental	General	<u>3,000</u>
		<u>\$ 83,000</u>

These transfers were approved by the City council as transfers of funds to cover planned expenditures /expenses.

## **F. Joint Operations**

The City is party to an agreement with the City of Clute to share costs associated with the operation of a sewer treatment plant. The percentage for sharing the operating expenses (excluding maintenance and capital outlay) is determined based upon the metered flow of wastewater for each City. For the year ended September 30, 2021, the City of Richwood's portion of these expenses was determined to be 22.1%, which amounted to \$163,730. Further, the City of Richwood shares in 25.00% of maintenance costs (including capital acquisitions) which amounted to \$14,642 for the year ended September 30, 2021. The Brazosport River Authority maintains both budgetary and accounting responsibility over these operations.

## **G. Defined Benefit Pension Plan – Texas Municipal Retirement System**

**Plan Descriptions.** The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency 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 Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The plans also provide death benefits and disability benefits. Effective January 1, 2002, members are vested after 5 years. 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.

A summary of plan provisions for the City are as follows:

Employee deposit rate	5%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age; 5 years at age 60 and above
Updated Service Credit	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating
Supplemental death benefit - employees and retirees	Yes

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

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	25
Active employees	<u>23</u>
Total	<u>67</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 consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. For fiscal year 2021, the City made contributions of 11.09% for the months in 2020 and 11.17% for the months in 2021. The City's contributions to TMRS for the year ended September 30, 2021 were \$151,428, and were equal to the required contributions.

**Net Pension Liability.** The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Pension liabilities have been liquidated in prior years from the General Fund for governmental activities and the Water, Sewer, and Sanitation Fund for the business-type activities.

### Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees 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 will be applied to reflect the impairment for younger members who become disabled for males and females. 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 healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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).

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

**Discount Rate.** The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 5% 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c)
Balance at 12/31/2019	\$ 4,419,262	\$ 3,877,679	541,583
Changes for the year:			
Service cost	188,054	-	188,054
Interest	296,183	-	296,183
Difference between expected and actual experience	( 23,849)	-	( 23,849)
Contributions - employer	-	162,019	( 162,019)
Contributions - employee	-	73,059	( 73,059)
Net investment income	-	294,161	( 294,161)
Benefit payments, including refunds of employee contributions	( 250,776)	( 250,776)	-
Administrative expense	-	( 1,905)	1,905
Other changes	-	( 74)	74
Net changes	209,612	276,484	( 66,872)
Balance at 12/31/2020	\$ 4,628,874	\$ 4,154,163	\$ 474,711

## Sensitivity of the Net Pension Liability

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%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability/(asset)	\$ 1,099,070	\$ 474,711	\$ ( 36,347)

## 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](http://www.tmr.com).

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

For the year ended September 30, 2021, the City recognized pension expense of \$116,588.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	\$ 14,807	\$ 20,367
Changes in actuarial assumptions used	13,427	-
Differences in projected and actual investment earnings	-	110,163
Contributions subsequent to the measurement date	115,281	-
Total	<u>\$ 143,515</u>	<u>\$ 130,530</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$115,281 will be recognized as a reduction of the net pension liability for the measurement 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:

Fiscal Year Ended September 30,	Net Deferred Outflows (Inflows) of Resources
2022	\$( 36,671)
2023	9,713
2024	( 68,854)
2025	( 6,484)

## **H. Defined Benefit Pension Plan – Texas Emergency Services Retirement System**

### **Plan Description**

The City participates in the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple-employer defined benefit pension established and administered by the State of Texas. The TESRS is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine members Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System. TESRS issues a publicly available annual financial report that can be obtained at [www.tesrs.org](http://www.tesrs.org).

The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters' Pension Commissioner. While the agency is relatively new, the System has been in existence since 1977. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries.

### **Pension Plan Fiduciary Net Position**

For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Annual comprehensive Financial Report. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at [www.tesrs.org](http://www.tesrs.org).

### **Benefits Provided**

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to their vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

### **Contributions**

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$ 36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities. Contributions to the pension plan for the year ended September 30, 2021, were \$11,880.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.



## Actuarial Assumptions

The total pension liability in the August 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (currently 4.6%) and by adding expected inflation (3.00%). In addition, the final 7.5% assumption was selected by "rounding down" and thereby reflects a reduction for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Portfolio Real Rate of Return
Equities:		
Large cap domestic	20.0%	5.83%
Small cap domestic	10.0%	5.94%
Developed international	15.0%	6.15%
Emerging markets	5.0%	7.25%
Global Infrastructure	5.0%	6.41%
Multi asset income	5.0%	3.84%
Fixed income	30.0%	1.99%
Real estate	10.0%	4.48%
Total	100.0%	

## Discount Rate

The discount rate used to measure the total pension liability was 7.5%. No projection of cash flows was used to determine the discount rate because the August 31, 2020 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the City's proportionate share of the net pension liability, calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the net pension liability	\$ 117,061	\$ 60,758	\$ 21,639

## **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2021, the City reported a liability of \$60,758 for its proportionate share of the TESRS's net pension liability. The net pension liability was measured as of August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to contributions of all participating employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.241%, which was a decrease of 0.004% when compared to August 31, 2019.

For the year ended September 30, 2021, the City's pension expense was \$16,077. At September 30, 2021, the City reported its proportionate share of the TESRS's deferred outflows and 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	\$ -	\$ 2,894
Difference between projected and actual investment earnings	330	99
Contributions paid to TESRS subsequent to the measurement date	11,880	-
Total	<u>\$ 12,210</u>	<u>\$ 2,993</u>

\$11,880 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30	
2022	\$( 2,585)
2023	( 531)
2024	2,089
2025	( 1,636)

### **I. Postemployment Benefits Other Than Pensions (OPEB) - TMRS Supplemental Death Benefits Fund**

**Plan Description.** The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

**Benefits Provided.** The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	9
Active employees	23
Total	<u>42</u>

**Contributions.** The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.14% for 2020 and 0.19% for 2021, of which 0.03% and 0.11%, respectively, represent the retiree-only portion for each year as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2021 and 2020 were \$2,417 and \$1,981, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year. The City's contribution for retiree portion as of September 30, 2021 was \$1,232.

**Actuarial Assumptions.** The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Measurement year ended December 31,	2020
Inflation rate	2.50% per annum
Discount rate	2.00%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.50% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases were based on a service-related table.

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 will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

**Discount Rate.** The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.00% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.00%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB Liability	\$ 133,923	\$ 106,553	\$ 86,408

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs.** At September 30, 2021, the City reported a liability of \$106,553 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2020. For the year ended September 30, 2021, the City recognized OPEB expense of \$11,921. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at 12/31/2019	\$ 83,041
Changes for the year:	
Service cost	4,091
Interest	2,334
Difference between expected and actual experience	( 7,874)
Changes in assumptions or other inputs	25,399
Benefit payments	( 438)
Net changes	23,512
Balance at 12/31/2020	\$ 106,553

The total OPEB liability attributable to the governmental activities will be liquidated by the General Fund. The total liability attributable to the business-type activities will be liquidated by the Water, Sewer, and Sanitation Fund.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	\$ 290	\$ 7,570
Changes in actuarial assumptions used	32,521	2,525
Contributions subsequent to the measurement date	1,283	-
Total	\$ 34,094	\$ 10,095

\$1,283 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2022. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2022	\$ 5,496
2023	5,496
2024	4,788
2025	5,372
2026	1,564

## **J. Commitments and Contingencies**

### **Litigation**

The City currently is not involved in any nor is the City aware of any significant threatened litigation, claims, or assessments.

## **K. Risk Pool Participation**

The City is a participant in the Texas Municipal League Intergovernmental Risk Pool for coverage of liability, property, worker's compensation, and medical insurance. The City pays annual premiums to the pool for the coverages stated. The agreement with the Texas Municipal League Intergovernmental Risk Pool requires the pool to be self-sustaining. Property and liability insurance provide varying and appropriate coverage, with most claims subject to a \$5,000 deductible. Workers compensation claims are managed by the Texas Municipal League. In addition, the City has designated a portion of the General Fund fund balance for insurance contingencies, to handle deductibles and other associated costs. For medical insurance claims, the City pays insurance premiums for full coverage and has no liability for claims filed by employees or their covered dependents.

## **L. Economic Development Agreements**

On January 26, 2016, the City entered into an Economic Development Agreement with Jerry Crawford ("Crawford") in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, Crawford is expected to operate and continue an existing business at the property known as Crawford's Furniture and Appliance, Inc. and the City agrees to provide Crawford an economic incentive for the period of ten years commencing with payment of ad valorem taxes on the property by Crawford. For the year ending September 30, 2021, no rebate payments were made under this agreement.

On April 10, 2017, the City entered into an Economic Development Agreement with Big Kountry Shooting, LLC ("BKS") in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, BKS is expected to construct and operate an indoor shooting range within the city limits of the City and the City agrees to provide BKS an economic incentive for the period of two years commencing with payment of ad valorem taxes on the property by BKS. For the year ending September 30, 2021, no rebate payments made by the City.

## **M. New Accounting Standards**

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

Statement No. 87, Leases – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classifies as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the City in fiscal year 2022.

Statement No. 96, Subscription-Based Information Technology Arrangements – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement will become effective for the City in fiscal year 2024.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**CITY OF RICHWOOD, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,809,381	\$ 1,809,381	\$ 1,780,525	\$( 28,856)
Sales taxes	508,000	508,000	641,056	133,056
Franchise taxes	190,000	190,000	190,346	346
Licenses and permits	71,000	71,000	81,282	10,282
Intergovernmental revenues	3,388	3,388	235,204	231,816
Charges for services	27,000	27,000	38,607	11,607
Fines and forfeitures	75,250	75,250	89,387	14,137
Investments earnings	19,250	19,250	2,180	( 17,070)
Miscellaneous	5,300	5,300	8,103	2,803
Total revenues	<u>2,708,569</u>	<u>2,708,569</u>	<u>3,066,690</u>	<u>358,121</u>
<b>EXPENDITURES</b>				
Current:				
General government	734,283	703,044	797,055	( 94,011)
Judicial	91,745	92,377	85,968	6,409
Public safety	1,281,331	1,302,341	1,291,236	11,105
Public works	188,549	226,393	229,152	( 2,759)
Culture and recreation	40,650	40,650	43,955	( 3,305)
Debt service:				
Principal	22,068	22,068	22,016	52
Interest	12,857	12,857	12,822	35
Total expenditures	<u>2,371,483</u>	<u>2,399,730</u>	<u>2,482,204</u>	<u>( 82,474)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>337,086</u>	<u>308,839</u>	<u>584,486</u>	<u>275,647</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( 83,000)	( 83,000)	( 83,000)	-
Total other financing sources (uses)	<u>( 83,000)</u>	<u>( 83,000)</u>	<u>( 83,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	254,086	225,839	501,486	275,647
<b>FUND BALANCE - BEGINNING</b>	<u>1,768,340</u>	<u>1,768,340</u>	<u>1,768,340</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 2,022,426</u>	<u>\$ 1,994,179</u>	<u>\$ 2,269,826</u>	<u>\$ 275,647</u>

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

**CITY OF RICHWOOD, TEXAS**

**SCHEDULE OF CHANGES IN TMRS NET PENSION LIABILITY AND RELATED RATIOS**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

<b>Measurement period ended December 31,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>A. Total pension liability</b>			
Service Cost	\$ 188,054	\$ 166,651	\$ 161,877
Interest (on the Total Pension Liability)	296,183	278,580	266,648
Difference between expected and actual experience	( 23,849)	29,889	( 12,233)
Changes in assumptions	-	27,128	-
Benefit payments, including refunds of employee contributions	( 250,776)	( 253,538)	( 230,291)
Net change in total pension liability	209,612	248,710	186,001
Total pension liability - beginning	<u>4,419,262</u>	<u>4,170,552</u>	<u>3,984,551</u>
Total pension liability - ending (a)	<u>4,628,874</u>	<u>4,419,262</u>	<u>4,170,552</u>
<b>B. Plan fiduciary net position</b>			
Contributions - Employer	162,019	142,406	140,268
Contributions - Employee	73,059	64,444	62,452
Net Investment Income	294,161	525,618	( 105,905)
Benefit payments, including refunds of employee	( 250,776)	( 253,538)	( 230,291)
Administrative Expenses	( 1,905)	( 2,972)	( 2,048)
Other	( 74)	( 88)	( 107)
Net change in plan fiduciary net position	276,484	475,870	( 135,631)
Plan fiduciary net position - beginning	<u>3,877,679</u>	<u>3,401,809</u>	<u>3,537,440</u>
Plan fiduciary net position - ending (b)	<u>4,154,163</u>	<u>3,877,679</u>	<u>3,401,809</u>
<b>C. Net pension liability - ending (a) - (b)</b>	<u>\$ 474,711</u>	<u>\$ 541,583</u>	<u>\$ 768,743</u>
<b>D. Plan fiduciary net position as a percentage of total pension liability</b>	89.74%	87.74%	81.57%
<b>E. Covered payroll</b>	\$ 1,461,184	\$ 1,288,873	\$ 1,249,049
<b>F. Net position liability as a percentage of covered</b>	32.49%	42.02%	61.55%

Note - GASB 68 requires 10 years of data to be reported in this schedule. Additional years will be reported in subsequent years as the data becomes available.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 167,945	\$ 137,179	\$ 123,074	\$ 115,123
253,787	242,051	236,704	225,550
5,669	8,654	( 43,807)	( 98,725)
-	-	31,743	-
( 237,383)	( 221,402)	( 79,218)	( 93,958)
190,018	166,482	268,496	147,990
<u>3,794,533</u>	<u>3,628,051</u>	<u>3,359,555</u>	<u>3,211,565</u>
<u>3,984,551</u>	<u>3,794,533</u>	<u>3,628,051</u>	<u>3,359,555</u>
147,798	118,168	121,452	108,286
65,747	53,711	50,690	46,276
433,788	201,477	4,259	152,992
( 237,383)	( 221,402)	( 79,218)	( 93,958)
( 2,248)	( 2,275)	( 2,594)	( 1,597)
( 114)	( 123)	( 128)	( 131)
407,588	149,556	94,461	211,868
<u>3,129,852</u>	<u>2,980,296</u>	<u>2,885,835</u>	<u>2,673,967</u>
<u>3,537,440</u>	<u>3,129,852</u>	<u>2,980,296</u>	<u>2,885,835</u>
\$ <u>447,111</u>	\$ <u>664,681</u>	\$ <u>647,755</u>	\$ <u>473,720</u>
88.78%	82.48%	82.15%	85.90%
\$ 1,314,122	\$ 1,074,228	\$ 1,013,793	\$ 925,514
34.02%	61.88%	63.89%	51.18%

**CITY OF RICHWOOD, TEXAS****SCHEDULE OF TMRS PENSION CONTRIBUTIONS**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

<b>Fiscal year ended September 30,</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Actuarial determined contribution	\$ <u>151,428</u>	\$ <u>159,216</u>	\$ <u>140,268</u>
Contributions in relation to the actuarially determined contribution	\$ <u>151,428</u>	\$ <u>159,216</u>	\$ <u>140,268</u>
Contribution deficiency (excess)	-	-	-
Covered payroll	1,357,850	1,436,761	1,319,523
Contributions as a percentage of covered payroll	11.15%	11.08%	10.63%

Note - GASB 68 requires 10 years of data to reported in this schedule. Additional years will be reported in subsequent years as the data becomes available.

**NOTES TO SCHEDULE OF CONTRIBUTIONS****Valuation Date:**

Notes

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes

There were no benefit changes during the year.

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
\$ <u>138,416</u>	\$ <u>139,288</u>	\$ <u>121,859</u>	\$ <u>119,353</u>
\$ <u>138,416</u>	\$ <u>139,288</u>	\$ <u>121,859</u>	\$ <u>119,353</u>
-	-	-	-
1,231,122	1,244,815	1,084,021	971,017
11.24%	11.19%	11.24%	12.29%

**CITY OF RICHWOOD, TEXAS**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY - TESRS**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

<b>Measurement Date August 31,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
City's proportion of the net pension liability	0.241%	0.245%	0.269%
City's proportionate share of the net pension liability	\$ 60,758	\$ 69,447	\$ 58,240
Plan fiduciary net position as a percentage of the total	83.20%	80.20%	84.30%

**SCHEDULE OF CITY'S TESRS CONTRIBUTIONS**

<b>Fiscal year ended September 30,</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Contractually required contribution	\$ 11,880	\$ 11,220	\$ 10,997
Contributions in relation to the contractually required contribution	( 11,880)	( 11,220)	( 10,997)
Contribution deficiency (excess)	-	-	-

Note: The schedule is intended to show 10 years of information, additional years will be presented as it becomes available.

<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.222%	0.164%	0.177%	0.192%
\$ 53,284	\$ 47,770	\$ 47,246	\$ 34,890
81.40%	76.30%	76.90%	83.50%

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
\$ 12,868	\$ 13,725	\$ 7,500	\$ 7,800
( 12,868)	( 13,725)	( 7,500)	( 7,800)
-	-	-	-

**CITY OF RICHWOOD, TEXAS**

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM -  
SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE LAST TEN YEARS WITH MEASUREMENTS DATE OF DECEMBER 31

Measurement period ended December 31,	2020	2019	2018	2017
<b>A. Total OPEB liability</b>				
Service Cost	\$ 4,091	\$ 2,707	\$ 2,248	\$ 2,103
Interest (on the Total OPEB Liability)	2,334	2,394	2,226	2,170
Changes of assumptions	25,399	14,515	( 4,862)	5,816
Difference between expected and actual experience	( 7,874)	436	( 2,177)	-
Benefit payments, including refunds of employee contributions	( 438)	( 387)	( 375)	( 263)
Net change in Total OPEB liability	23,512	19,665	( 2,940)	9,826
Total OPEB liability - beginning	83,041	63,376	66,316	56,490
Total OPEB liability - ending (a)	106,553	83,041	63,376	66,316
<b>B. Covered-employee payroll</b>				
	\$ 1,461,184	\$ 1,288,873	\$ 1,249,049	\$ 1,314,122
<b>C. Total OPEB liability as a percentage of covered-employee payroll</b>				
	7.29%	6.44%	5.07%	5.05%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Note: Changes in assumptions or other inputs reflect the effects of changes in the discount rates each period. The following are the discount rates used in each period:

2020	2.00%
2019	2.75%
2018	3.71%
2017	3.78%



## **CITY OF RICHWOOD, TEXAS**

### **NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION**

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

#### **Budgetary Information**

All departments of the City submit requests for appropriation to the City Secretary so that a budget may be prepared. The budget is prepared by fund and includes requested appropriations for the next year. The proposed budget is presented to the Mayor and City Council for review. The City Council holds budget workshops and may add to, subtract from, or change appropriations. A public hearing is held prior to adoption.

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level. Line item and department budgets may exceed appropriated amounts at the discretion of the City Council as long as total expenditures for the fund do not exceed appropriated amounts. Revisions to the budget were made during the year. Appropriations not exercised in the current year lapse at the end of the year.

The City adopts annual budgets for all significant governmental fund types (General Fund, Debt Service Fund, and Special Revenue Funds) and proprietary fund type (Enterprise Fund).

The City prepares its annual budget on a generally accepted accounting principles basis (GAAP basis). The budget and all transactions are presented in accordance with the City's GAAP basis in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General, Debt Service and Enterprise Fund to provide a meaningful comparison of actual results with the budget.

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**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

**CITY OF RICHWOOD, TEXAS**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	Special Revenue Funds		
	Beautification Fund	Transportation Fund	Court Security Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 34,407	\$ 672,683	\$ 22,990
Receivables (net of allowance for uncollectibles):			
Taxes	-	25,804	-
Accounts Receivable	184	20,066	-
Accrued interest	-	519	-
Total assets	<u>34,591</u>	<u>719,072</u>	<u>22,990</u>
<b>LIABILITIES</b>			
Accounts payable	<u>451</u>	<u>314</u>	<u>-</u>
Total Liabilities	<u>451</u>	<u>314</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted for:			
Beautification	34,140	-	-
Transportation	-	718,758	-
Court security and technology	-	-	22,990
Total fund balances	<u>34,140</u>	<u>718,758</u>	<u>22,990</u>
Total liabilities and fund balances	\$ <u>34,591</u>	\$ <u>719,072</u>	\$ <u>22,990</u>

<u>Special Revenue Funds</u>		
<u>Court Technology Fund</u>		<u>Total Non-Major Governmental Funds</u>
\$ 4,866		\$ 734,946
-		25,804
-		20,250
-		519
<u>4,866</u>		<u>781,519</u>
-		765
<u>-</u>		<u>765</u>
-		34,140
-		718,758
<u>4,866</u>		<u>27,856</u>
<u>4,866</u>		<u>780,754</u>
\$ <u>4,866</u>		\$ <u>781,519</u>

**CITY OF RICHWOOD, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Special Revenue Funds		
	Beautification Fund	Transportation Fund	Court Security Fund
<b>REVENUES</b>			
Charges for services	\$ -	\$ 141,215	\$ -
Fines and forfeitures	-	-	317
Contributions	15,290	-	-
Sales tax	-	160,264	-
Investment earnings	-	58	-
Miscellaneous	4,789	-	-
Total revenues	<u>20,079</u>	<u>301,537</u>	<u>317</u>
<b>EXPENDITURES</b>			
Current:			
Culture and recreation	15,679	-	-
Public works	-	71,024	-
Total expenditures	<u>15,679</u>	<u>71,024</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,400</u>	<u>230,513</u>	<u>317</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	3,000	-	-
Total other financing sources (uses)	<u>3,000</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	7,400	230,513	317
<b>FUND BALANCE - BEGINNING</b>	<u>26,740</u>	<u>488,245</u>	<u>22,673</u>
<b>FUND BALANCE - ENDING</b>	\$ <u>34,140</u>	\$ <u>718,758</u>	\$ <u>22,990</u>

Special Revenue Funds			
Court Technology Fund		Total Non-Major Governmental Funds	
\$	-	\$	141,215
	423		740
	-		15,290
	-		160,264
	-		58
	-		4,789
	<u>423</u>		<u>322,356</u>
	-		15,679
	-		<u>71,024</u>
	<u>-</u>		<u>86,703</u>
	<u>423</u>		<u>235,653</u>
	-		<u>3,000</u>
	-		<u>3,000</u>
	423		238,653
	<u>4,443</u>		<u>542,101</u>
\$	<u>4,866</u>	\$	<u>780,754</u>

**CITY OF RICHWOOD, TEXAS****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
DEBT SERVICE FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 388,794	\$ 388,794	\$ 378,574	\$( 10,220)
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>418</u>	<u>( 582)</u>
Total revenues	<u>389,794</u>	<u>389,794</u>	<u>378,992</u>	<u>( 10,802)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	268,477	268,477	268,477	-
Interest	<u>148,861</u>	<u>148,861</u>	<u>140,506</u>	<u>8,355</u>
Total expenditures	<u>417,338</u>	<u>417,338</u>	<u>408,983</u>	<u>8,355</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 27,544)</u>	<u>( 27,544)</u>	<u>( 29,991)</u>	<u>( 2,447)</u>
<b>FUND BALANCE - BEGINNING</b>	<u>83,506</u>	<u>83,506</u>	<u>83,506</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 55,962</u>	<u>\$ 55,962</u>	<u>\$ 53,515</u>	<u>\$( 2,447)</u>



**CITY OF RICHWOOD, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL -  
BEAUTIFICATION FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Contributions	\$ 14,500	\$ 14,500	\$ 15,290	\$ 790
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>4,789</u>	<u>3,789</u>
Total revenues	<u>15,500</u>	<u>15,500</u>	<u>20,079</u>	<u>4,579</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	<u>23,650</u>	<u>23,650</u>	<u>15,679</u>	<u>7,971</u>
Total expenditures	<u>23,650</u>	<u>23,650</u>	<u>15,679</u>	<u>7,971</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 8,150)</u>	<u>( 8,150)</u>	<u>4,400</u>	<u>12,550</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total other financing sources (uses)	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 5,150)</u>	<u>( 5,150)</u>	<u>7,400</u>	<u>12,550</u>
<b>FUND BALANCE - BEGINNING</b>	<u>26,740</u>	<u>26,740</u>	<u>26,740</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 21,590</u>	<u>\$ 21,590</u>	<u>\$ 34,140</u>	<u>\$ 12,550</u>

**CITY OF RICHWOOD, TEXAS**

**SCEHDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL -  
TRANSPORTATION FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charge for services	\$ 147,420	\$ 147,420	\$ 141,215	\$ ( 6,205)
Sales tax	120,000	120,000	160,264	40,264
Investment earnings	<u>1,500</u>	<u>1,500</u>	<u>58</u>	<u>( 1,442)</u>
Total revenues	<u>268,920</u>	<u>268,920</u>	<u>301,537</u>	<u>32,617</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>267,420</u>	<u>247,420</u>	<u>71,024</u>	<u>176,396</u>
Total expenditures	<u>267,420</u>	<u>247,420</u>	<u>71,024</u>	<u>176,396</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,500	21,500	230,513	209,013
<b>FUND BALANCE - BEGINNING</b>	<u>488,245</u>	<u>488,245</u>	<u>488,245</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 489,745</u>	<u>\$ 509,745</u>	<u>\$ 718,758</u>	<u>\$ 209,013</u>

**CITY OF RICHWOOD, TEXAS**

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - BUDGET AND ACTUAL -  
PROPRIETARY FUND - ENTERPRISE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>OPERATING REVENUES</b>				
Charges for services:				
Water fees	\$ 923,000	\$ 923,000	\$ 1,088,489	\$ 165,489
Sewer fees	819,000	819,000	859,114	40,114
Garbage fees	283,000	283,000	308,782	25,782
Delinquent charges	28,000	28,000	27,989	( 11)
Tap and reconnect fees	14,000	14,000	15,449	1,449
Miscellaneous	-	-	2,784	2,784
Total operating revenues	<u>2,067,000</u>	<u>2,067,000</u>	<u>2,302,607</u>	<u>235,607</u>
<b>OPERATING EXPENSES</b>				
Personnel services	321,583	328,557	266,599	61,958
Materials and supplies	47,825	47,825	32,580	15,245
Maintenance and repair	132,200	170,794	177,854	( 7,060)
Contractual services	574,730	619,730	449,360	170,370
Water purchases	300,000	300,000	298,994	1,006
Refuse collection	280,000	280,000	263,925	16,075
Sewer treatment plant operations	270,000	270,000	332,860	( 62,860)
Depreciation	-	265,000	288,193	( 23,193)
Total operating expenses	<u>1,926,338</u>	<u>2,281,906</u>	<u>2,110,365</u>	<u>171,541</u>
<b>OPERATING INCOME</b>	<u>140,662</u>	<u>( 214,906)</u>	<u>192,242</u>	<u>407,148</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment earnings	26,750	26,750	4,003	( 22,747)
Capital grants - intergovernmental	-	-	67,691	67,691
Interest expense	<u>( 157,271)</u>	<u>( 157,271)</u>	<u>( 144,473)</u>	<u>12,798</u>
Total nonoperating revenues (expenses)	<u>( 130,521)</u>	<u>( 130,521)</u>	<u>( 72,779)</u>	<u>57,742</u>
<b>INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	10,141	( 345,427)	119,463	464,890
Transfers in	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	90,141	( 265,427)	199,463	464,890
<b>TOTAL NET POSITION - BEGINNING</b>	<u>5,502,394</u>	<u>5,502,394</u>	<u>5,502,394</u>	<u>-</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 5,592,535</u>	<u>\$ 5,236,967</u>	<u>\$ 5,701,857</u>	<u>\$ 464,890</u>

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## **COMPLIANCE SECTION**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and  
Members of the City Council  
City of Richwood, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richwood, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Richwood, Texas' basic financial statements, and have issued our report thereon dated February 14, 2022.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of Richwood, 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 Richwood, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Richwood, Texas' internal control.

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

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

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**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Richwood, 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*.

### ***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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas  
February 14, 2022