

FINAL DRAFT

CITY OF ROLLINGWOOD, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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CITY OF ROLLINGWOOD, TEXAS

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CITY OF ROLLINGWOOD, TEXAS

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council
City of Rollingwood, Texas
403 Nixon Drive
Rollingwood, Texas 78746

Report on the Audit of the Financial Statements

Opinion

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 Rollingwood, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Rollingwood, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rollingwood, Texas, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-10 and page 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rollingwood, Texas' basic financial statements. The accompanying combining and individual nonmajor financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 March 20, 2024, on our consideration of the City of Rollingwood, 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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rollingwood, Texas' internal control over financial reporting and compliance.

San Antonio, Texas
March 20, 2024



CITY OF ROLLINGWOOD, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2023

As management of the City of Rollingwood, Texas (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, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2023 by \$6,704,626. Of this amount \$2,991,351 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total cost of all City activities was \$6,450,786 for the fiscal year. The net expense after charges for services and operating contributions was \$3,303,540.
- During the year, the City's issued City of Rollingwood, Texas General Obligation Bonds, Series 2023 in the amount of \$3,885,000.
- At September 30, 2023 the City's governmental funds reported combined ending fund balances of \$4,428,152, a net increase of \$255,159, after the restatement. This increase is due mainly to an increase of property and sales taxes.
- At September 30, 2023 the unassigned fund balance for the general fund was \$2,164,966 or 78% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) component unit financial statements, and (4) notes to the financial statements and required supplementary information.

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 liabilities, with the difference between the two 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 most recent fiscal year. All changes in net position are reported as soon as 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 future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements include not only the City itself (known as the primary government) but also the component unit of Rollingwood Community Development Corporation, Inc.

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 and proprietary, and utilize different accounting approaches.

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 near-term inflows and outflows of spendable resources available for current spending, as well as on balances of resources available for spending 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 fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintained eight (8) individual governmental funds during the 2023 fiscal year. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund and debt service fund which are considered to be major funds. Data from the other six (6) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. Schedules of revenues, expenditures and changes in fund balances – budget and actual (GAAP basis) have been provided for the general fund to demonstrate compliance with the appropriated budget.

The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water and wastewater utility services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in a more detailed format. The City has two major proprietary funds. They are the water fund and the wastewater fund. Separate financial statements are presented for the major funds.

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.

Other information – The combining statements referred to earlier as the City's nonmajor governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,704,626 (net position). Of this amount, \$2,991,351 (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors.

The largest portion of the City's net position (48%) reflects its net investment in capital assets (i.e., land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (7%) represents resources that are subject to external restrictions on how they may be used.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 4,882,969	\$ 4,867,258	\$ 5,505,889	\$ 1,490,052	\$ 10,388,858	\$ 6,357,310
Capital assets	<u>2,674,853</u>	<u>2,755,051</u>	<u>11,402,443</u>	<u>11,775,048</u>	<u>14,077,296</u>	<u>14,530,099</u>
Total assets	<u>7,557,822</u>	<u>7,622,309</u>	<u>16,908,332</u>	<u>13,265,100</u>	<u>24,466,154</u>	<u>20,887,409</u>
Deferred outflows of resources	<u>297,619</u>	<u>158,339</u>	<u>97,100</u>	<u>34,758</u>	<u>394,719</u>	<u>193,097</u>
Liabilities:						
Current liabilities	655,475	850,151	955,708	733,235	1,611,183	1,583,386
Long-term liabilities	<u>2,655,654</u>	<u>2,765,264</u>	<u>13,855,304</u>	<u>10,215,933</u>	<u>16,510,958</u>	<u>12,981,197</u>
Total liabilities	<u>3,311,129</u>	<u>3,615,415</u>	<u>14,811,012</u>	<u>10,949,168</u>	<u>18,122,141</u>	<u>14,564,583</u>
Deferred inflows of resources	<u>25,716</u>	<u>170,755</u>	<u>8,390</u>	<u>37,484</u>	<u>34,106</u>	<u>208,239</u>
Net position:						
Net investment in capital assets	2,091,429	1,752,344	1,125,865	1,580,096	3,217,294	3,332,440
Restricted	495,981	431,395	-	-	495,981	431,395
Unrestricted	<u>1,931,186</u>	<u>1,810,739</u>	<u>1,060,165</u>	<u>733,110</u>	<u>2,991,351</u>	<u>2,543,849</u>
Total net position	<u>\$ 4,518,596</u>	<u>\$ 3,994,478</u>	<u>\$ 2,186,030</u>	<u>\$ 2,313,206</u>	<u>\$ 6,704,626</u>	<u>\$ 6,307,684</u>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the primary government as a whole.

Governmental activities – Governmental activities increased the City's net position by \$1,160,339, after the restatement.

A key element is as follows:

- An increase in charges for services revenue.

Business-type activities – Business-type activities decreased the City’s net position by \$127,176 primarily due to the increase in charges for services.

The following table indicates changes in net position for the governmental and business-type activities for the City as of September 30, 2023.

CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues						
Charges for services	\$ 430,731	\$ 1,070,605	\$ 2,616,668	\$ 2,441,631	\$ 3,047,399	\$ 3,512,236
Operating contributions	65,299	725	-	-	65,299	725
Capital contributions	34,548	-	-	-	34,548	-
General revenues						
Property taxes	2,631,742	2,637,495	-	-	2,631,742	2,637,495
Sales taxes	881,653	955,202	-	-	881,653	955,202
Franchise taxes	135,295	177,091	-	-	135,295	177,091
Unrestricted investment earnings	16,907	3,272	18,092	2,783	34,999	6,055
Other income	28,328	99,374	-	-	28,328	99,374
Total revenues	<u>4,224,503</u>	<u>4,943,764</u>	<u>2,634,760</u>	<u>2,444,414</u>	<u>6,859,263</u>	<u>7,388,178</u>
Expenses:						
General government	601,775	616,585	-	-	601,775	616,585
Public works	25,549	12,597	-	-	25,549	12,597
Sanitation	187,349	156,845	-	-	187,349	156,845
Public safety	1,407,957	1,389,340	-	-	1,407,957	1,389,340
Court	105,786	88,810	-	-	105,786	88,810
Parks and recreation	84,179	102,798	-	-	84,179	102,798
Streets	119,224	98,093	-	-	119,224	98,093
Development services	325,471	235,050	-	-	325,471	235,050
Drainage	150,834	186,909	-	-	150,834	186,909
Interest	68,004	76,737	-	-	68,004	76,737
Water	-	-	1,862,409	1,416,577	1,862,409	1,416,577
Wastewater	-	-	1,512,249	1,225,114	1,512,249	1,225,114
Total expenses	<u>3,076,128</u>	<u>2,963,764</u>	<u>3,374,658</u>	<u>2,641,691</u>	<u>6,450,786</u>	<u>5,605,455</u>
Increase (decrease) in net position before transfers	<u>1,148,375</u>	<u>1,980,000</u>	<u>(739,898)</u>	<u>(197,277)</u>	<u>408,477</u>	<u>1,782,723</u>
Transfers	<u>(657,917)</u>	<u>(797,446)</u>	<u>657,917</u>	<u>797,446</u>	<u>-</u>	<u>-</u>
Change in net position	490,458	1,182,554	(81,981)	600,169	408,477	1,782,723
Net position - beginning	<u>3,994,478</u>	<u>2,834,139</u>	<u>2,313,206</u>	<u>1,713,037</u>	<u>6,307,684</u>	<u>4,547,176</u>
Restatement of net position	<u>33,660</u>	<u>(22,215)</u>	<u>(45,195)</u>	<u>-</u>	<u>(11,535)</u>	<u>(22,215)</u>
Net position - ending	<u>\$ 4,518,596</u>	<u>\$ 3,994,478</u>	<u>\$ 2,186,030</u>	<u>\$ 2,313,206</u>	<u>\$ 6,704,626</u>	<u>\$ 6,307,684</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 close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,428,152, an increase of \$255,159 from the prior year, after the restatement. This increase is due primarily to increased property and sales taxes.

Approximately 43% of this total amount, \$1,925,401 constitutes fund balance which is available for spending at the government's discretion. The remainder fund balance of \$2,502,751 or 57% is restricted as to use.

The City's general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$1,925,401. The unassigned fund balance represents 78% of total general fund expenditures. The fund balance of the City's general fund increased for the fiscal year by \$311,157, after the restatement.

Proprietary funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the current fiscal year amounted to \$1,060,165. The total decrease for the proprietary funds was \$127,176.

GENERAL FUND BUDGETARY HIGHLIGHTS

General fund – Actual fiscal year expenditures in the general fund were \$443,047 less than the final budgeted amounts or appropriations. The fiscal year 2023 budget was amended from the original budget adopted by Council.

The major difference between the original and final budget was:

- \$48,000 – budget increase in public works expenditures and intergovernmental revenues
- \$22,000 – budget increase in sanitation expenditures and other income

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The City's investment in capital assets for its governmental and business-type activities as of September 30, 2023 amounted to \$14,077,296 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, infrastructure, and construction in progress. The net decrease in the City's investment in capital assets for the current fiscal year was 3% due mainly to depreciation.

The following table shows capital asset activity for the 2023 fiscal year compared to 2022. If more detailed information is desired on the City's capital asset activity, please refer to note 4 as presented in the notes to the financial statements.

CAPITAL ASSETS, NET OF DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Capital assets-not depreciated						
Land	\$ 321,438	\$ 321,438	\$ -	\$ -	\$ 321,438	\$ 321,438
Construction in progress	308,752	308,752	-	331,426	308,752	640,178
Total capital assets - not depreciated	<u>630,190</u>	<u>630,190</u>	<u>-</u>	<u>331,426</u>	<u>630,190</u>	<u>961,616</u>
Capital assets-depreciated						
Buildings and improvements	721,038	721,038	43,000	43,000	764,038	764,038
Equipment	1,155,493	1,078,285	345,685	171,879	1,501,178	1,250,164
Infrastructure	2,215,866	2,215,866	17,062,352	16,794,455	19,278,218	19,010,321
Total capital assets - depreciated	<u>4,092,397</u>	<u>4,015,189</u>	<u>17,451,037</u>	<u>17,009,334</u>	<u>21,543,434</u>	<u>21,024,523</u>
Less: accumulated depreciation						
Buildings and improvements	(294,588)	(278,181)	(6,880)	(5,160)	(301,468)	(283,341)
Equipment	(845,372)	(790,740)	(167,471)	(136,785)	(1,012,843)	(927,525)
Infrastructure	(907,774)	(821,407)	(5,874,243)	(5,423,767)	(6,782,017)	(6,245,174)
Total accumulated depreciation	<u>(2,047,734)</u>	<u>(1,890,328)</u>	<u>(6,048,594)</u>	<u>(5,565,712)</u>	<u>(8,096,328)</u>	<u>(7,456,040)</u>
Total capital assets - net	<u>\$ 2,674,853</u>	<u>\$ 2,755,051</u>	<u>\$ 11,402,443</u>	<u>\$ 11,775,048</u>	<u>\$ 14,077,296</u>	<u>\$ 14,530,099</u>

Long-term liabilities – During the fiscal year, the City issued General Obligation Bonds, Series 2023 in the amount of \$3,885,000 for waterwork improvements. At the end of the current fiscal year, the City had total bonded debt outstanding of \$15,810,000. Additional information on liabilities may be found in note 10 of this report as presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Rollingwood has historically maintained a solid economy and continues to exhibit strong fundamentals. The City, with an estimated population of 1,500 is a 0.8-square mile landlocked community in Travis County, directly adjacent to southwest Austin. It is in the Austin-Round Rock MSA, which boasts a broad and diverse economy. The Austin-Round Rock MSA is one of the fastest growing among the top 50 metropolitan areas in the nation. The City of Rollingwood benefits from continuing positive trends in real estate and overall growth in the Austin region. Additionally, major tech companies continue their drive for operational expansion and the Austin market has emerged as an attractive destination for the tech industry. City leadership is developing plans to maximize the potential of its existing commercial corridor.

Rollingwood’s tax base continues to grow year over year despite its landlocked nature. While growth within the City is limited, the increase in valuation can be in part attributed to renovation and redevelopment of existing lots resulting in higher home values. It is also attributed to supply and demand. Demand for housing in Rollingwood is high due to proximity to downtown Austin, the excellent school district, large sprawling lots, and the City’s low tax rate. Supply of available housing is low due to being a small, landlocked community, which drives value. The average home value significantly increased from the previous year.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrator, 403 Nixon Drive, Rollingwood, Texas 78746.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Government Accounting Standards Board (GASB). The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds
 - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.



CITY OF ROLLINGWOOD, TEXAS

STATEMENT OF NET POSITION

September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 4,494,172	\$ 5,171,443	\$ 9,665,615	\$ 478,917
Accounts receivable-net of allowances for uncollectibles:				
Property taxes	43,627	-	43,627	-
Other	148,748	334,446	483,194	14,466
Lease receivable	196,422	-	196,422	-
Capital assets:				
Land	321,438	-	321,438	-
Construction in progress	308,752	-	308,752	-
Buildings and improvements	426,450	-	426,450	-
Water distribution system	-	2,095,159	2,095,159	-
Wastewater system	-	9,014,344	9,014,344	-
Wastewater system-connections	-	78,606	78,606	-
Equipment	310,121	178,214	488,335	-
Infrastructure	1,308,092	-	1,308,092	-
Wastewater system-building improvements	-	36,120	36,120	-
Total assets	7,557,822	16,908,332	24,466,154	493,383
Deferred outflows of resources				
Deferred outflows of resources - pension	281,476	91,834	373,310	-
Deferred outflows of resources - OPEB	16,143	5,266	21,409	-
Total deferred outflows of resources	297,619	97,100	394,719	-
Liabilities:				
Accounts payable	109,844	314,230	424,074	3,500
Accrued interest payable	12,782	80,033	92,815	-
Accrued expenses	77,250	10,605	87,855	-
Unearned revenue	22,190	5,082	27,272	-
Noncurrent liabilities:				
Payable from restricted assets -				
Customer deposits	-	170,520	170,520	-
Net pension liability	378,578	123,514	502,092	-
OPEB liability	50,533	16,486	67,019	-
Due within one year	433,409	545,758	979,167	-
Due in more than one year	2,226,543	13,544,784	15,771,327	-
Total liabilities	3,311,129	14,811,012	18,122,141	3,500
Deferred inflows of resources				
Deferred inflows of resources - pension	4,802	1,566	6,368	-
Deferred inflows of resources - OPEB	20,914	6,824	27,738	-
Total deferred inflows of resources	25,716	8,390	34,106	-
Net position:				
Net investment in capital assets	2,091,429	1,125,865	3,217,294	-
Restricted for:				
Street maintenance	471,492	-	471,492	-
Municipal court	23,574	-	23,574	-
Debt service	-	-	-	-
Police department	915	-	915	-
Unrestricted net position	1,931,186	1,060,165	2,991,351	489,883
Total net position	\$ 4,518,596	\$ 2,186,030	\$ 6,704,626	\$ 489,883

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

CITY OF ROLLINGWOOD, TEXAS

STATEMENT OF ACTIVITIES

Year ended September 30, 2023

Functions and Programs	Expenses	Charges for Services	Program Revenues Operating Contributions	Capital Contributions
Primary governmental activities:				
General government	\$ (601,775)	\$ 246,824	\$ 53,957	\$ -
Public works	(25,549)	7,355	-	34,548
Sanitation	(187,349)	105	-	-
Public safety	(1,407,957)	-	1,492	-
Court	(105,786)	66,660	-	-
Parks and recreation	(84,179)	79,537	9,850	-
Streets	(119,224)	-	-	-
Development services	(325,471)	-	-	-
Drainage	(150,834)	30,250	-	-
Interest and fees	(68,004)	-	-	-
	<u>(3,076,128)</u>	<u>430,731</u>	<u>65,299</u>	<u>34,548</u>
Total primary governmental activities				
Business-type activities:				
Water	(1,862,409)	1,569,556	-	-
Wastewater	(1,512,249)	1,047,112	-	-
	<u>(3,374,658)</u>	<u>2,616,668</u>	<u>-</u>	<u>-</u>
Total business-type activities				
Primary government	<u>\$ (6,450,786)</u>	<u>\$ 3,047,399</u>	<u>\$ 65,299</u>	<u>\$ 34,548</u>
Component unit:				
Rollingwood Community Development Corporation	<u>\$ (113,255)</u>	<u>\$ -</u>	<u>\$ 31,376</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Franchise tax and telecommunication fees

Interest

Miscellaneous revenue

Transfers

Total general revenues

Change in net position

Net position at beginning of year

Restatement of net position

Net position at beginning of year

Net position at end of year

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Government Total	Component Unit
\$ (300,994)	\$ -	\$ (300,994)	
16,354	-	16,354	
(187,244)	-	(187,244)	
(1,406,465)	-	(1,406,465)	
(39,126)	-	(39,126)	
5,208	-	5,208	
(119,224)	-	(119,224)	
(325,471)	-	(325,471)	
(120,584)	-	(120,584)	
(68,004)	-	(68,004)	
(2,545,550)	-	(2,545,550)	
-	(292,853)	(292,853)	
-	(465,137)	(465,137)	
-	(757,990)	(757,990)	
(2,545,550)	(757,990)	(3,303,540)	
			\$ (81,879)
2,631,742	-	2,631,742	-
881,653	-	881,653	175,221
135,295	-	135,295	-
16,907	18,092	34,999	7,172
28,328	-	28,328	-
(657,917)	657,917	-	-
3,036,008	676,009	3,712,017	182,393
490,458	(81,981)	408,477	100,514
3,994,478	2,313,206	6,307,684	389,369
33,660	(45,195)	(11,535)	-
4,028,138	2,268,011	6,296,149	389,369
\$ 4,518,596	\$ 2,186,030	\$ 6,704,626	\$ 489,883

CITY OF ROLLINGWOOD, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2023

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 4,006,567	\$ 5,786	\$ 481,819	\$ 4,494,172
Taxes receivables, net	23,184	20,443	-	43,627
Sales tax receivable	60,208	-	14,466	74,674
Other receivables	74,074	-	-	74,074
Lease receivable	196,422	-	-	196,422
Due from other funds	<u>189,592</u>	<u>-</u>	<u>-</u>	<u>189,592</u>
 Total assets	 <u>\$ 4,550,047</u>	 <u>\$ 26,229</u>	 <u>\$ 496,285</u>	 <u>\$ 5,072,561</u>
Liabilities:				
Accounts payable	\$ 94,665	\$ -	\$ 15,179	\$ 109,844
Accrued liabilities	36,366	-	40,884	77,250
Due to other funds	-	5,786	183,806	189,592
Unearned revenue	<u>22,190</u>	<u>-</u>	<u>-</u>	<u>22,190</u>
Total liabilities	<u>153,221</u>	<u>5,786</u>	<u>239,869</u>	<u>398,876</u>
Deferred inflows of resources:				
Unearned revenue - property taxes	23,184	20,443	-	43,627
Unearned revenue - leases	<u>201,906</u>	<u>-</u>	<u>-</u>	<u>201,906</u>
Total deferred inflows of resources	<u>225,090</u>	<u>20,443</u>	<u>-</u>	<u>245,533</u>
Fund balances:				
Restricted for construction	2,006,770	-	-	2,006,770
Restricted for street maintenance	-	-	471,492	471,492
Restricted for municipal court	-	-	23,574	23,574
Restricted for police department	-	-	915	915
Unassigned	<u>2,164,966</u>	<u>-</u>	<u>(239,565)</u>	<u>1,925,401</u>
Total fund balances	<u>4,171,736</u>	<u>-</u>	<u>256,416</u>	<u>4,428,152</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 4,550,047</u>	 <u>\$ 26,229</u>	 <u>\$ 496,285</u>	 <u>\$ 5,072,561</u>

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

CITY OF ROLLINGWOOD, TEXAS

RECONCILIATION OF BALANCE SHEET
GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION

September 30, 2023

Total fund balances - governmental funds	\$ 4,428,152
Amounts reported in governmental funds and 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.	2,674,853
Property taxes receivable unavailable to pay current expenses are deferred in the funds.	43,627
Long-term liabilities, including bonds payable, bond premiums, and compensated absences are not due and payable in the current period, and therefore, not reported in the funds.	(2,659,952)
Lease receivable unavailable to pay current expenses are deferred in the funds.	201,906
Accrued interest payable on long-term bonds are not due and payable in the current period and, therefore, not reported in the funds.	(12,782)
Recognition of the City's net pension and OPEB liability, the deferred outflows, and deferred inflows related to TMRS.	<u>(157,208)</u>
Total net position of governmental activities	<u>\$ 4,518,596</u>

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

CITY OF ROLLINGWOOD, TEXAS

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

Year ended September 30, 2023

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property taxes	\$ 1,404,404	\$ 1,228,673	\$ -	\$ 2,633,077
Sales taxes	706,432	-	175,220	881,652
Franchise and telecommunications fees	135,295	-	-	135,295
Licenses and fees	238,472	-	30,250	268,722
Fines and forfeitures	52,882	-	5,251	58,133
Contributions	9,850	-	-	9,850
Intergovernmental	88,505	-	-	88,505
Other income	158,445	-	-	158,445
Interest income	8,902	-	-	8,902
Investment earnings	16,567	-	340	16,907
Total revenues	<u>2,819,754</u>	<u>1,228,673</u>	<u>211,061</u>	<u>4,259,488</u>
Expenditures:				
General government	561,884	-	-	561,884
Public works	20,941	-	-	20,941
Sanitation	176,907	-	-	176,907
Public safety	1,308,714	-	-	1,308,714
Court	98,718	-	1,218	99,936
Parks and recreation	79,132	-	-	79,132
Streets	112,095	-	-	112,095
Development	307,140	-	-	307,140
Drainage	-	-	150,834	150,834
Capital outlay	77,208	-	-	77,208
Debt service:				
Principal	28,557	382,475	-	411,032
Interest and fees	4,074	68,855	-	72,929
Debt issuance costs	-	1,320	-	1,320
Total expenditures	<u>2,775,370</u>	<u>452,650</u>	<u>152,052</u>	<u>3,380,072</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	44,384	776,023	59,009	879,416
Other financing sources (uses):				
Transfers in	238,899	5,786	-	244,685
Transfers out	(5,786)	(786,280)	(110,536)	(902,602)
Total other financing sources (uses)	<u>233,113</u>	<u>(780,494)</u>	<u>(110,536)</u>	<u>(657,917)</u>
Net change in fund balances	277,497	(4,471)	(51,527)	221,499
Fund balance - beginning of year	3,860,579	4,471	307,943	4,172,993
Restatement of beginning fund balance	33,660	-	-	33,660
Fund balance, as restated	<u>3,894,239</u>	<u>4,471</u>	<u>307,943</u>	<u>4,206,653</u>
Fund balance - end of year	<u>\$ 4,171,736</u>	<u>\$ -</u>	<u>\$ 256,416</u>	<u>\$ 4,428,152</u>

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

CITY OF ROLLINGWOOD, TEXAS

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

Year ended September 30, 2023

Net change in fund balances - governmental funds \$ 221,499

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

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets are capitalized. 77,208

Capital assets are not recorded in government funds and therefore are not depreciated. However, in the statement of activities these assets are depreciated over their estimated useful lives. This is the amount of 2023 depreciation. (157,406)

Revenues for property taxes and leases that are deferred in governmental funds because they do not provide current financial resources are not deferred in the statement of activities. This is the change in deferred from the prior year. (34,985)

The repayment of long-term debt (i.e. bonds, premiums) provides current financial resources to governmental funds, while neither transaction has any effect on net position. 411,032

The change in net pension and OPEB liability and deferred outflows related to the City's TMRS pension asset. (26,326)

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (compensated absences, accrued interest). (564)

Change in net position of governmental activities \$ 490,458

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

CITY OF ROLLINGWOOD, TEXAS

STATEMENT OF NET POSITION
ENTERPRISE FUNDS

September 30, 2023

	Enterprise Fund		Total Enterprise Funds
	Water Fund	Wastewater Fund	
Current assets:			
Cash and cash equivalents	\$ 4,486,109	\$ 685,334	\$ 5,171,443
Accounts receivable, net	240,417	94,029	334,446
Total current assets	<u>4,726,526</u>	<u>779,363</u>	<u>5,505,889</u>
Noncurrent assets:			
Capital assets, net:			
Water distribution system	2,095,159	-	2,095,159
Wastewater system	-	9,014,344	9,014,344
Wastewater system-connections	-	78,606	78,606
Equipment	48,453	129,761	178,214
Wastewater system-building improvements	-	36,120	36,120
Total noncurrent assets	<u>2,143,612</u>	<u>9,258,831</u>	<u>11,402,443</u>
Total assets	<u>6,870,138</u>	<u>10,038,194</u>	<u>16,908,332</u>
Deferred outflows of resources - pension	45,917	45,917	91,834
Deferred outflows of resources - OPEB	2,633	2,633	5,266
Total outflows of resources	<u>48,550</u>	<u>48,550</u>	<u>97,100</u>
Current liabilities:			
Accounts payable	236,065	78,165	314,230
Accrued interest payable	31,592	48,441	80,033
Accrued liabilities	6,883	3,722	10,605
Unearned revenue	5,082	-	5,082
Current portion of long-term liabilities:			
Compensated absences	1,802	1,802	3,604
Bond payable	109,100	425,000	534,100
Lease liability	8,054	-	8,054
Total current liabilities	<u>398,578</u>	<u>557,130</u>	<u>955,708</u>
Noncurrent liabilities:			
Compensated absences	7,209	7,209	14,418
Bonds payable	4,339,750	8,500,000	12,839,750
Lease liability	17,785	-	17,785
Bond premiums	231,355	441,476	672,831
Net pension liability	61,757	61,757	123,514
OPEB liability	8,243	8,243	16,486
Customer deposits	170,520	-	170,520
Total noncurrent liabilities	<u>4,836,619</u>	<u>9,018,685</u>	<u>13,855,304</u>
Total liabilities	<u>5,235,197</u>	<u>9,575,815</u>	<u>14,811,012</u>
Deferred inflow of resources:			
Deferred inflow - pension	783	783	1,566
Deferred inflow - OPEB	3,412	3,412	6,824
Total inflows of resources	<u>4,195</u>	<u>4,195</u>	<u>8,390</u>
Net position:			
Net investment in capital assets	1,125,865	-	1,125,865
Unrestricted net position	553,431	506,734	1,060,165
Total net position	<u>\$ 1,679,296</u>	<u>\$ 506,734</u>	<u>\$ 2,186,030</u>

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

CITY OF ROLLINGWOOD, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION ENTERPRISE FUNDS

Year ended September 30, 2023

	Enterprise Fund		Total Enterprise Funds
	Water Fund	Wastewater Fund	
Operating revenues:			
Charges for sales and services:			
Water sales	\$ 1,569,556	\$ -	\$ 1,569,556
Wastewater revenues	-	934,933	934,933
Wastewater surcharge	-	98,154	98,154
Industrial waste surcharges	-	14,025	14,025
Total operating revenues	1,569,556	1,047,112	2,616,668
Operating expenses:			
Water purchased	632,888	-	632,888
Wastewater fees	-	13,689	13,689
Personnel services	248,274	245,505	493,779
Repairs and maintenance	553,666	46,935	600,601
System operations	41,649	371,023	412,672
Contract services	13,961	226,135	240,096
Depreciation	143,150	339,732	482,882
Total operating expenses	1,633,588	1,243,019	2,876,607
Operating income (loss)	(64,032)	(195,907)	(259,939)
Nonoperating revenues (expenses):			
Interest expense	(228,821)	(269,230)	(498,051)
Investment earnings	3,750	14,342	18,092
Total nonoperating revenues (expenses)	(225,071)	(254,888)	(479,959)
Transfers:			
Transfers in	68,861	723,485	792,346
Transfers out	(68,305)	(66,124)	(134,429)
Net transfers	556	657,361	657,917
Change in net position	(288,547)	206,566	(81,981)
Net position at beginning of year	1,995,209	317,997	2,313,206
Restatement of net position	(27,366)	(17,829)	(45,195)
Net position at end of year	\$ 1,679,296	\$ 506,734	\$ 2,186,030

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

CITY OF ROLLINGWOOD, TEXAS

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

For the year ended September 30, 2023

	Enterprise Funds		
	Water	Wastewater	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,544,508	\$ 1,067,585	\$ 2,612,093
Cash paid to employees for services	(1,117,602)	(619,410)	(1,737,012)
Cash paid to suppliers for goods and services	(234,952)	(232,183)	(467,135)
Net cash provided by (used in) operating activities	<u>191,954</u>	<u>215,992</u>	<u>407,946</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(34,809)	(75,468)	(110,277)
Bonds Issued	4,087,638	-	4,087,638
Principal paid on bonded debt	(42,525)	(420,000)	(462,525)
Principal paid on capital leases	(8,054)	-	(8,054)
Interest paid on capital leases and debt	(203,752)	(303,485)	(507,237)
Net cash provided by (used in) capital and related financing activities	<u>3,798,498</u>	<u>(798,953)</u>	<u>2,999,545</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	68,861	723,485	792,346
Transfers to other funds	(68,305)	(66,124)	(134,429)
Net cash provided by (used in) noncapital financing activities	<u>556</u>	<u>657,361</u>	<u>657,917</u>
Cash flows from investing activities:			
Interest received	<u>3,750</u>	<u>14,342</u>	<u>18,092</u>
Net increase (decrease) in cash and cash equivalents	3,994,758	88,742	4,083,500
Cash and cash equivalents - beginning	<u>491,351</u>	<u>596,592</u>	<u>1,087,943</u>
Cash and cash equivalents - ending	<u>\$ 4,486,109</u>	<u>\$ 685,334</u>	<u>\$ 5,171,443</u>

(continued)

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

CITY OF ROLLINGWOOD, TEXAS

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

For the year ended September 30, 2023

	Enterprise Funds		
	Water	Wastewater	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (64,032)	\$ (195,907)	\$ (259,939)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	143,150	339,732	482,882
Changes in assets and liabilities			
Decrease (increase) in assets			
Accounts receivable	4,841	20,796	25,637
Increase (decrease) in liabilities			
Accounts payable	129,984	40,239	170,223
Accrued expenses	(2,253)	(1,867)	(4,120)
Due to other funds	(3,169)	-	(3,169)
Compensated absences	2,042	2,042	4,084
Unearned revenue	(39,139)	-	(39,139)
Net pension liability	56,788	56,788	113,576
OPEB liability	(45,508)	(45,508)	(91,016)
Customer deposits	9,250	(323)	8,927
	<u>191,954</u>	<u>215,992</u>	<u>407,946</u>
Net cash provided by (used in) operating activities	\$ 191,954	\$ 215,992	\$ 407,946

	SCHEDULE OF NONCASH ACTIVITIES		
Actuarilly determined change in:			
Net pension liability	\$ 48,463	\$ 48,463	\$ 96,926
Other postemployment benefit liability	275	275	550
Premium on bonds	2,872	29,432	32,304



CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(1) Summary of significant accounting policies

The financial statements of the City of Rollingwood, Texas (“the City”), are presented in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental units as set forth by the Government Accounting Standards Board (GASB). A summary of the City’s significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

Reporting entity

The City, for financial purposes, includes all of the activities and funds relevant to the operations of the City of Rollingwood. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City’s reporting entity, as set forth in GASB Statement No. 14, “The Financial Reporting Entity,” include whether:

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

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when:

- The economic resources received or held by the organization are entirely for the direct benefit of the City, its component units or its constituents; and
- The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and
- Such economic resources are significant to the City.

Based on these criteria, the City has one component unit as described below. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB statement.

Rollingwood Community Development Corporation (“RCDC”) is a non-profit corporation organized under the laws of the State of Texas to provide economic development in and for the benefit of the City. The RCDC is presented discretely in the annual financial report as a governmental-type because the City appoints the board of directors and approves the annual budget.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(1) Summary of significant accounting policies (continued)

Government-wide and fund financial statements

Government-wide financial statements: The statement of net position and the statement of activities include the financial activities of the overall government except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions.

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

Fund financial statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

The City reports the following major governmental funds:

General fund: This 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.

Debt service fund: This fund is used to account for ad valorem tax assessed for the purpose of servicing general obligation debt.

In addition, the City reports the following fund types:

Special revenue funds: These funds are used to separately account for funds related to grants and contracts.

The City reports the following major proprietary funds:

Water fund: This fund is used to account for the activities of the City's water operations.

Wastewater fund: This fund is used to account for the activities of the City's wastewater operations.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting and financial statement presentation

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

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

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

Cash and cash equivalents

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

Pensions

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

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(1) Summary of significant accounting policies (continued)

Other postemployment benefits

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Plan (SDBF) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources, and deferred inflows of resources related to the other postemployment benefits, OPEB expense, and information about additions to/deductions from the TMRS OPEB's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Contributions are utilized to fund active member deaths on a pay-as-you go basis; any excess contributions and investment income over payments then become net position available for benefits.

Receivables and payables

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

There are no significant receivables which are not scheduled for collection within one year of the year end.

Compensated absences

On termination, retirement, or death of certain employees, the City pays accrued vacation leave in a lump sum payment to such employee or his/her estate. Vacation accrues at various hours based on length of service.

Use of estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

Fund balance

The City adopted GASB No. 54 Governmental Accounting Standards Board Statement Number 54 (GASB No. 54) *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB No. 54 changed the way we look at fund balances, specifically reporting what fund balances, by major governmental fund type, are or are not available for public purposes. Five categories of fund balances were created and defined by GASB No. 54. These five categories are as follows:

Non-spendable - These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.

Restricted - These funds are governed by externally enforceable restrictions.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(1) Summary of significant accounting policies (continued)

Fund balance (continued)

Committed - Fund balances in this category are limited by the government's highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.

Assigned - For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the Council, such as a City Administrator or Finance Director. For example, during the budget process, the Council decided to use some existing fund balance to support activities in the upcoming year.

Unassigned - This classification is the default for all funds that do not fit into the other categories.

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

Implementation of new accounting principle

The City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) during the fiscal year 2023. The statement is based on the principle that SBITAs are financings of the right-to-use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). It establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability.

The City has no SBITAs under the new accounting principle.

Discretely presented component unit

The component unit column on the government-wide financial statements includes the financial data of the City's component unit, Rollingwood Community Development Corporation ("RCDC").

The component unit is presented in a separate column to emphasize that it is legally separate from the primary government. Financial statements are presented in the supplementary information section of the statements.

(2) Deposits and investments

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

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(2) Deposits and investments (continued)

Cash deposits

At September 30, 2023, the carrying amount of the City’s deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,946,371 and the bank balance was \$9,074,095. The City also had \$250 cash on hand.

The City’s cash deposits at September 30, 2023 exceeded the FDIC insurance and pledged collateral held by the City’s agent bank in the City’s name by \$2,198,101. The City has not experienced any loss in such accounts and subsequently corrected the undercollateralized deposits.

The component unit’s cash carrying and bank balance was \$144, 532 at September 30, 2023. These deposits at September 30, 2023 were entirely covered by FDIC insurance or by pledged collateral held by the component unit’s agent bank in the component unit’s name. The amount in TexPool was \$334,385 at September 30, 2023.

Investments

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

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions:

- Obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas
- Certificates of deposit
- Certain municipal securities
- Money market savings accounts
- Repurchase agreements
- Bankers acceptances
- Mutual funds
- Investment pools
- Guaranteed investment contracts
- Common trust funds

The City’s cash and investments are shown below:

Investment Type	Reported at Fair Value	Weighted Average Maturity (Days)	Rating	
			Moody's	S&P
TexPool	\$ 718,994	28	AAA	AAAm
Cash on hand	250	n/a	n/a	n/a
Bank deposits	<u>8,946,371</u>	n/a	n/a	n/a
Total cash and cash equivalents	<u>\$ 9,665,615</u>			

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(2) Deposits and investments (continued)

Investments (continued)

Analysis of specific deposit and investment risks

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

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. State law dictates that in order to maintain eligibility to receive funds and invest funds on behalf of the City, an investment pool must be continuously rated no lower than AAA or AAAM or at an equivalent rating by at least one nationally recognized statistical rating organization (NRSRO). State law authorizes investments in obligations guaranteed by the U.S. government and does not require that these investments be rated. The City's policy is to comply with state law. At year end, all of the City's investments meet the State's requirements.

TexPool is an investment pool in which the Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company (the Trust Company). The Trust Company is authorized to operate the pool. Federated Investors, Inc. manages the assets under an agreement with the Comptroller, acting on behalf of the Trust Company. TexPool is reported at amortized cost and it does not have any limitations or restrictions on participants' withdrawals.

At September 30, 2023 the City's investments are rated as to credit quality as shown in the preceding table.

Custodial credit risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law requires settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. The City's investment policy requires that securities be registered in the name of the City. All safekeeping receipts for investment instruments are held in accounts in the City's name, and all securities are registered in the name of the City.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

State law and the City's policy place no limit on the amount the City may invest in any one issuer. The City was not exposed to concentration of credit risk.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(2) Deposits and investments (continued)

Investments (continued)

Analysis of specific deposit and investment risks (continued)

Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted average maturity method. In accordance with its investment policy and state law, the City manages its interest rate risk by limiting the weighted average maturity of any investment owned by the City to the maximum of two years. The investment strategy for operating funds requires a dollar weighted average maturity of 365 days or less. Debt service funds cannot be invested in securities that have a stated final maturity date that exceeds the debt service payment date. Investment of debt service reserve funds and special project funds require high quality securities with short-term maturities. Eligible investment pools must have a weighted average maturity of no greater than 90 days. The City’s exposure to interest rate risk at September 30, 2023 is summarized in the preceding table as the weighted average days to maturity.

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

(3) Property taxes

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

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

(4) Capital assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated acquisition value at the date of the donation. The cost of the normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. A capitalization threshold of \$5,000 is used. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Infrastructure	25
Buildings	40
Equipment	3-25
Sewer line connections	33

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(4) Capital assets (continued)

Capital asset activity for the year ended September 30, 2023 was as follows:

	Balance September 30, 2022	Additions	Disposals	Balance September 30, 2023
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 321,438	\$ -	\$ -	\$ 321,438
Construction in progress	<u>308,752</u>	<u>-</u>	<u>-</u>	<u>308,752</u>
Total capital assets not being depreciated	<u>630,190</u>	<u>-</u>	<u>-</u>	<u>630,190</u>
Capital assets being depreciated:				
Buildings and improvements	721,038	-	-	721,038
Equipment	1,078,285	77,208	-	1,155,493
Infrastructure	<u>2,215,866</u>	<u>-</u>	<u>-</u>	<u>2,215,866</u>
Total capital assets being depreciated	<u>4,015,189</u>	<u>77,208</u>	<u>-</u>	<u>4,092,397</u>
Less accumulated depreciation:				
Buildings and improvements	(278,181)	(16,407)	-	(294,588)
Equipment	(790,740)	(54,632)	-	(845,372)
Infrastructure	<u>(821,407)</u>	<u>(86,367)</u>	<u>-</u>	<u>(907,774)</u>
Total accumulated depreciation	<u>(1,890,328)</u>	<u>(157,406)</u>	<u>-</u>	<u>(2,047,734)</u>
Total capital assets being depreciated (net)	<u>2,124,861</u>	<u>(80,198)</u>	<u>-</u>	<u>2,044,663</u>
Governmental activities capital assets (net)	<u>\$ 2,755,051</u>	<u>\$ (80,198)</u>	<u>\$ -</u>	<u>\$ 2,674,853</u>

Depreciation was charged to functions as follows:

General government	\$ 33,166
Public works	1,236
Sanitation	10,442
Public safety	77,247
Court	5,899
Parks and recreation	4,671
Streets	6,616
Development	<u>18,129</u>
Total	<u>\$ 157,406</u>

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(4) Capital assets (continued)

	Balance September 30, 2022	Additions	Disposals	Balance September 30, 2023
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 331,426	\$ -	\$ (331,426)	\$ -
Capital assets being depreciated:				
Water distribution system	4,337,746	-	-	4,337,746
Wastewater system	12,283,782	267,897	-	12,551,679
Wastewater system - connections	172,927	-	-	172,927
Equipment - water	71,923	34,809	-	106,732
Equipment - wastewater	99,956	138,997	-	238,953
Wastewater system - building improvements	43,000	-	-	43,000
Total capital assets being depreciated	<u>17,009,334</u>	<u>441,703</u>	<u>-</u>	<u>17,451,037</u>
Less accumulated depreciation:				
Water distribution system	(2,111,140)	(131,447)	-	(2,242,587)
Wastewater system	(3,223,546)	(313,789)	-	(3,537,335)
Wastewater system - connections	(89,081)	(5,240)	-	(94,321)
Equipment - water	(46,576)	(11,703)	-	(58,279)
Equipment - wastewater	(90,209)	(18,983)	-	(109,192)
Wastewater system - building improvements	(5,160)	(1,720)	-	(6,880)
Total accumulated depreciation	<u>(5,565,712)</u>	<u>(482,882)</u>	<u>-</u>	<u>(6,048,594)</u>
Total capital assets being depreciated (net)	<u>11,443,622</u>	<u>(41,179)</u>	<u>-</u>	<u>11,402,443</u>
Business-type activities capital assets (net)	<u>\$ 11,775,048</u>	<u>\$ (41,179)</u>	<u>\$ (331,426)</u>	<u>\$ 11,402,443</u>

Depreciation charged was \$143,150 and \$339,732 to the water fund and wastewater fund, respectively.

(5) Interfund receivables, payables, and transfers

Interfund balances at September 30, 2023 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ 5,786
General Fund	Drainage Fund	183,806

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(5) Interfund receivables, payables, and transfers (continued)

Interfund transfers during the year ended September 30, 2023 were the result of normal transactions between the funds and consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 238,899	\$ 5,786
Debt service fund	5,786	786,280
Nonmajor governmental funds	-	110,536
Water fund	68,861	68,305
Wastewater fund	723,485	66,124
Totals	\$ 1,037,031	\$ 1,037,031

(6) Lease receivable

On September 1, 2020, the City entered into a ten-year lease agreement for the lease of land and facilities at the City’s municipal park. Based on this agreement, the annual lease payments were \$33,000 in the first year and increase 2% annually until the lease terminates on August 31, 2030. The interest rate on the lease is 4%. At September 30, 2023, the City reported lease receivable and deferred inflows of resources of \$196,422 and \$201,906, respectively. Future minimum lease payments to be received are as follows:

Fiscal Year	General Fund		
	Lease Receivable	Lease Revenue	Lease Interest
2024	\$ 27,863	\$ 33,651	\$ 7,857
2025	29,693	33,651	6,742
2026	31,608	33,651	5,555
2027	33,617	33,651	4,290
2028	35,719	33,651	2,946
2029	37,922	33,651	1,517
Total	\$ 196,422	\$ 201,906	\$ 28,907

(7) Defined benefit pension plans

Texas Municipal Retirement System

Plan description

The City of Rollingwood participates as one of 919 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the system with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.com.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(7) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

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

Benefits provided

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

At retirement, the member’s benefit is calculated based on the sum of the member’s contributions, with interest, and the City-financed monetary credits with interest. The retiring members may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member’s contribution 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 are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1.

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	29
Active employees	<u>19</u>
Total	<u>63</u>

Contributions

The contribution rates in TMRS are either 5%, 6%, or 7% of the member’s total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary using the entry age normal (EAN) actuarial cost method. The City’s contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 11.91% and 11.71% in calendar years 2023 and 2022, respectively. The City’s contributions to TMRS for the year ended September 30, 2023, were \$180,021, and were equal to the required contributions.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(7) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Net pension liability

The City’s net pension liability (NPL) was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	December 31st
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years (longest amortization ladder)
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Table. 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.

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

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(7) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions (continued)

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

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

The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2023 are summarized in the following tables:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other public and private markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	<u>100.0%</u>	

Discount rate

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

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(7) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Changes in net pension liability

The schedule below presents the changes in the net pension liability (asset) as of December 31, 2022:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2021	\$ 3,436,324	\$ 3,381,115	\$ 55,209
Changes for the year:			
Service cost	244,229	-	244,229
Interest	235,715	-	235,715
Change of benefit terms	-	-	-
Difference between expected and actual experience	(9,445)	-	(9,445)
Changes of assumptions	-	-	-
Contributions - employer	-	169,026	(169,026)
Contributions - employee	-	101,040	(101,040)
Net investment income	-	(246,863)	246,863
Benefit payments, including refunds of employee contributions	(132,732)	(132,732)	-
Administrative expense	-	(2,136)	2,136
Other changes	-	2,549	(2,549)
Net changes	<u>337,767</u>	<u>(109,116)</u>	<u>446,883</u>
Balance at December 31, 2022	<u>\$ 3,774,091</u>	<u>\$ 3,271,999</u>	<u>\$ 502,092</u>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	<u>\$ 1,042,388</u>	<u>\$ 502,092</u>	<u>\$ 63,704</u>

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(7) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the schedule of changes in fiduciary net position, by participant city. The report may be obtained at www.tmr.com.

Pension expense and deferred outflows/inflows of resources related to pensions

For the year ended September 30, 2023, the City recognized pension expense of \$222,987.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 11,551	\$ 6,368
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	224,253	-
Contributions subsequent to the measurement date	<u>137,506</u>	<u>-</u>
Total	<u>\$ 373,310</u>	<u>\$ 6,368</u>

The City reported \$137,506 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year September 30,</u>	<u>Amortization Expense</u>
2024	\$ 24,673
2025	51,238
2026	58,509
2027	95,016
2028	-
Thereafter	<u>-</u>
Total	<u>\$ 229,436</u>

CITY OF ROLLINGWOOD, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(8) Other postemployment benefits (OPEB) plan

Texas Municipal Retirement System

Plan description

The City participates in a single-employer defined benefit plan, which operates like a group-term life insurance plan, operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits provided

The death benefit for active members provides a lump-sum payment approximately equal to the member’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired members are insured for \$7,500; this coverage is an “other postemployment benefit” or OPEB. As the SDBF covers both active and retiree members, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

The contribution rate for the City was 0.43% and 0.25% respectively for calendar years 2023 and 2022. The City’s contributions to TMRS for the SDBF program for the year ended September 30, 2023 were \$5,872, and were equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>19</u>
Total	<u>37</u>

Other postemployment benefits (OPEB) liability

The City’s total OPEB liability of \$67,019 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

CITY OF ROLLINGWOOD, TEXAS
 NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(8) Other postemployment benefits (OPEB) plan (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions:

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.50% to 11.5% including inflation
Discount rate *	4.05%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the total OPEB liability:

Balance at December 31, 2021	\$ 89,261
Changes for the year:	
Service cost	4,619
Interest on the total OPEB liability	1,672
Changes of benefit terms	-
Difference between expected and actual experience	6,703
Change of assumptions	(33,793)
Benefit payments	(1,443)
Net changes	(22,242)
Balance at December 31, 2022	<u>\$ 67,019</u>

CITY OF ROLLINGWOOD, TEXAS
 NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(8) Other postemployment benefits (OPEB) plan (continued)

Texas Municipal Retirement System (continued)

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	<u>1% Decrease in Discount Rate (3.05%)</u>	<u>Current Discount Rate (4.05%)</u>	<u>1% Increase in Discount Rate (5.05%)</u>
City's OPEB liability	\$ <u>79,825</u>	\$ <u>67,019</u>	\$ <u>57,098</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB:

For the year ended September 30, 2022, the City recognized OPEB expense of \$7,453.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 11,382	\$ -
Changes in actuarial assumptions	8,642	27,738
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>1,385</u>	<u>-</u>
Total	<u>\$ 21,409</u>	<u>\$ 27,738</u>

The City reported \$1,385 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year September 30,</u>	<u>Amortization Expense</u>
2024	\$ 803
2025	211
2026	(2,970)
2027	(5,333)
2028	(425)
Thereafter	<u>-</u>
Total	<u>\$ (7,714)</u>

CITY OF ROLLINGWOOD, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

(9) Health care coverage

During the year ended September 30, 2023, employees of the City were covered by a health insurance plan (the Plan). The City contributed \$816 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the third party administrator is renewable October 1, 2023, and terms of coverage and contribution costs are included in the contractual provisions.

(10) Long-term liabilities

The City had a wastewater and transportation agreement with the Lower Colorado River Authority (LCRA) to provide wastewater treatment and disposal services in the Rollingwood services area. In July 2012 the City issued \$2,905,000 General Obligation Bonds Taxable Series 2012A. The proceeds from the bonds were used to purchase the wastewater system from LCRA. In 2014, the City issued \$2,835,000 General Obligations Bonds, Series 2014 for water and street improvements. In 2019, the City issued \$9,325,000 General Obligation Refunding Bonds to refund General Obligations Bonds, Series 2012B. In 2020, the City issued \$2,065,000 Tax Notes, Series 2020 to improve city infrastructure and facilities. In 2023, the City issued \$3,885,000 General Obligation Bonds, Series 2023 to improve and expand the City’s waterworks system.

The City’s liabilities consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
Bonds and notes payable:					
General Obligation Bonds - Series 2014	\$ 1,318,625	\$ -	\$ (92,475)	\$ 1,226,150	\$ 95,900
Tax notes - Series 2020	1,500,000	-	(290,000)	1,210,000	295,000
Premium on bonds	68,679	-	(6,245)	62,434	-
Total bonds and notes payable	<u>2,887,304</u>	<u>-</u>	<u>(388,720)</u>	<u>2,498,584</u>	<u>390,900</u>
Other long-term liabilities:					
Compensated absences	62,949	12,590	(5,781)	69,758	13,952
Lease liability	120,167	-	(28,557)	91,610	28,557
Total governmental activities	<u>\$ 183,116</u>	<u>\$ 12,590</u>	<u>\$ (34,338)</u>	<u>\$ 161,368</u>	<u>\$ 42,509</u>
<u>Business-type activities:</u>					
Bonds and notes payable:					
General Obligation Bonds - Series 2012A	\$ 305,000	\$ -	\$ (305,000)	\$ -	\$ -
General Obligation Bonds - Series 2014	606,375	-	(42,525)	563,850	44,100
General Obligation Refunding Bonds - Series 2019	9,040,000	-	(115,000)	8,925,000	425,000
General Obligation Bonds - Series 2023	-	3,885,000	-	3,885,000	65,000
Premium on bonds	502,497	202,638	(32,304)	672,831	-
Total bonds and notes payable	<u>10,453,872</u>	<u>4,087,638</u>	<u>(494,829)</u>	<u>14,046,681</u>	<u>534,100</u>
Other long-term liabilities:					
Compensated absences	13,938	6,969	(2,885)	18,022	3,604
Lease liability	33,893	-	(8,054)	25,839	8,054
Total business-type activities	<u>\$ 47,831</u>	<u>\$ 6,969</u>	<u>\$ (10,939)</u>	<u>\$ 43,861</u>	<u>\$ 11,658</u>

Interest rates on bonds range from 2% to 4%.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(10) Long-term liabilities (continued)

Future maturities of the bonds are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 95,900	\$ 40,381	\$ 136,281	\$ 534,100	\$ 480,202	\$ 1,014,302
2025	99,325	37,504	136,829	540,675	467,921	1,008,596
2026	102,750	34,524	137,274	562,250	445,101	1,007,351
2027	102,750	7,031	109,781	587,250	421,284	1,008,534
2028	106,175	28,359	134,534	613,825	396,316	1,010,141
2029-2033	589,100	86,190	675,290	3,430,900	1,617,360	5,048,260
2034-2038	130,150	4,555	134,705	3,814,850	1,007,020	4,821,870
2039-2043	-	-	-	1,405,000	491,775	1,896,775
2034-2048	-	-	-	850,000	319,425	1,169,425
2049-2053	-	-	-	1,035,000	131,588	1,166,588
Total	\$ 1,226,150	\$ 238,544	\$ 1,464,694	\$ 13,373,850	\$ 5,777,991	\$ 19,151,841

Future maturities of the tax notes are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2024	\$ 295,000	\$ 20,280	\$ 315,280
2025	300,000	15,560	315,560
2026	305,000	10,610	315,610
2027	310,000	27,123	337,123
Total	\$ 1,210,000	\$ 73,573	\$ 1,283,573

(11) Lease liability

The City’s leases equipment from outside vendors. The assets and related debt are recorded in the governmental activities and business-type activities. The amortization of the leased assets is included as a component of depreciation expense. As of September 30, 2023, the City had future minimum lease payments under capital leases as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 29,525	\$ 3,106	\$ 32,631	\$ 8,327	\$ 876	\$ 9,203
2025	30,526	2,105	32,631	8,610	594	9,204
2026	31,559	1,070	32,629	8,902	302	9,204
Total	\$ 91,610	\$ 6,281	\$ 97,891	\$ 25,839	\$ 1,772	\$ 27,611

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2023

(12) Risk management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2023, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

(13) Restatement of fund balance/net position

The City recognized the below restatements to the beginning fund balances and net position as of September 30, 2022:

	General Fund	Water Fund	Wastewater Fund
Recognition of deferred revenue	\$ 33,660	\$ -	\$ -
Overstatement of utility revenue	<u>-</u>	<u>(27,366)</u>	<u>(17,829)</u>
Total restatement	<u>\$ 33,660</u>	<u>\$ (27,366)</u>	<u>\$ (17,829)</u>

(14) Fund balance deficit

A nonmajor fund reported a deficit fund balance of (\$239,565) at September 30, 2023. This deficit is expected to be recovered through future drainage fees and budgeted transfers from the general fund.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF ROLLINGWOOD, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND

Year ended September 30, 2023

	Budget Amounts		2023 Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 1,417,320	\$ 1,417,320	\$ 1,404,404	\$ (12,916)
Sales taxes	630,000	630,000	706,432	76,432
Franchise and telecommunications fees	315,000	315,000	135,295	(179,705)
Licenses and fees	257,100	257,100	238,472	(18,628)
Fines and forfeitures	33,950	33,950	52,882	18,932
Contributions	200	200	9,850	9,650
Intergovernmental	-	48,000	88,505	40,505
Other income	120,053	142,053	158,445	16,392
Interest income	-	-	8,902	8,902
Investment earnings	1,650	1,650	16,567	14,917
Total revenues	<u>2,775,273</u>	<u>2,845,273</u>	<u>2,819,754</u>	<u>(25,519)</u>
Expenditures:				
Current:				
General government	851,352	851,352	561,884	289,468
Public works	27,050	75,050	20,941	54,109
Sanitation	148,000	170,000	176,907	(6,907)
Public safety	1,392,754	1,392,754	1,308,714	84,040
Court	96,715	96,715	98,718	(2,003)
Parks and recreation	103,955	103,955	79,132	24,823
Streets	252,630	252,630	112,095	140,535
Development	223,989	223,989	307,140	(83,151)
Capital outlay	51,972	51,972	77,208	(25,236)
Debt service:				
Principal	-	-	28,557	(28,557)
Interest and fees	-	-	4,074	(4,074)
Total expenditures	<u>3,148,417</u>	<u>3,218,417</u>	<u>2,775,370</u>	<u>443,047</u>
Excess (deficiency) of revenues over (under) expenditures	(373,144)	(373,144)	44,384	417,528
Other financing sources (uses):				
Transfers in	382,115	382,115	238,899	143,216
Transfers out	-	-	(5,786)	(5,786)
Total other financing sources (uses)	<u>382,115</u>	<u>382,115</u>	<u>233,113</u>	<u>143,216</u>
Net change in fund balances	8,971	8,971	277,497	268,526
T total fund balance-beginning of year	3,860,579	3,860,579	3,860,579	-
Restatement of beginning fund balance	-	-	33,660	33,660
Fund balance, as restated	<u>3,860,579</u>	<u>3,860,579</u>	<u>3,894,239</u>	<u>33,660</u>
Total fund balance-end of year	<u>\$ 3,869,550</u>	<u>\$ 3,869,550</u>	<u>\$ 4,171,736</u>	<u>\$ 302,186</u>

CITY OF ROLLINGWOOD, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM

*Last 10 fiscal years

	For the measurement year ended December 31,		
	2022	2021	2020
Total pension liability (asset)			
Service cost	\$ 244,229	\$ 239,448	\$ 203,655
Interest on the total pension liability (asset)	235,715	212,082	188,832
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(9,445)	35,371	70,755
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	<u>(132,732)</u>	<u>(145,623)</u>	<u>(127,749)</u>
Net change in total pension liability (asset)	337,767	341,278	335,493
Total pension liability - beginning	<u>3,436,324</u>	<u>3,095,046</u>	<u>2,759,553</u>
Total pension liability - ending (a)	<u>\$ 3,774,091</u>	<u>\$ 3,436,324</u>	<u>\$ 3,095,046</u>
Plan fiduciary net position			
Contributions - employer	\$ 169,026	\$ 161,925	\$ 147,168
Contributions - employee	101,040	100,307	86,715
Net investment income	(246,863)	376,538	196,730
Benefit payments, including refunds of employee contributions	(132,732)	(145,623)	(127,749)
Administrative expense	(2,136)	(1,743)	(1,272)
Other	<u>2,549</u>	<u>12</u>	<u>(50)</u>
Net change in plan fiduciary net position	(109,116)	491,416	301,542
Plan fiduciary net position - beginning	<u>3,381,115</u>	<u>2,889,699</u>	<u>2,588,157</u>
Plan fiduciary net position - ending (b)	<u>3,271,999</u>	<u>3,381,115</u>	<u>2,889,699</u>
Net pension liability (asset) (a) - (b)	<u>\$ 502,092</u>	<u>\$ 55,209</u>	<u>\$ 205,347</u>
Plan fiduciary net position as a percentage of total pension liability (asset)	86.70%	98.39%	93.37%
Covered payroll	<u>\$ 1,443,431</u>	<u>\$ 1,432,962</u>	<u>\$ 1,238,779</u>
Net pension liability (asset) as a percentage of total covered payroll	34.78%	3.85%	16.58%

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the ninth year of implementation of GASB 68. The City will develop the schedule prospectively.

For the measurement year ended December 31,						
2019	2018	2017	2016	2015	2014	
\$ 173,630	\$ 159,062	\$ 135,517	\$ 135,678	\$ 118,259	\$ 96,840	
180,313	162,950	143,714	130,208	116,709	100,421	
-	155,377	-	-	-	-	
(115,538)	54,499	(55,034)	10,124	14,654	67,358	
35	-	-	-	58,535	-	
<u>(126,750)</u>	<u>(126,393)</u>	<u>(86,326)</u>	<u>(65,367)</u>	<u>(44,882)</u>	<u>(40,399)</u>	
111,690	405,495	137,871	210,643	263,275	224,220	
<u>2,647,863</u>	<u>2,242,368</u>	<u>2,104,497</u>	<u>1,893,854</u>	<u>1,630,579</u>	<u>1,406,359</u>	
<u>\$ 2,759,553</u>	<u>\$ 2,647,863</u>	<u>\$ 2,242,368</u>	<u>\$ 2,104,497</u>	<u>\$ 1,893,854</u>	<u>\$ 1,630,579</u>	
\$ 120,561	\$ 99,407	\$ 89,151	\$ 75,980	\$ 55,591	\$ 39,464	
75,351	66,198	59,699	58,148	51,158	48,923	
337,930	(66,312)	261,917	115,339	2,425	86,366	
(126,750)	(126,393)	(86,326)	(65,367)	(44,882)	(40,399)	
(1,907)	(1,280)	(1,356)	(1,302)	(1,477)	(902)	
<u>(56)</u>	<u>(67)</u>	<u>(69)</u>	<u>(70)</u>	<u>(73)</u>	<u>(75)</u>	
405,129	(28,447)	323,016	182,728	62,742	133,377	
<u>2,183,028</u>	<u>2,211,475</u>	<u>1,888,459</u>	<u>1,705,731</u>	<u>1,642,989</u>	<u>1,509,612</u>	
<u>2,588,157</u>	<u>2,183,028</u>	<u>2,211,475</u>	<u>1,888,459</u>	<u>1,705,731</u>	<u>1,642,989</u>	
<u>\$ 171,396</u>	<u>\$ 464,835</u>	<u>\$ 30,893</u>	<u>\$ 216,038</u>	<u>\$ 188,123</u>	<u>\$ (12,410)</u>	
93.79%	82.44%	98.62%	89.73%	90.07%	100.76%	
<u>\$ 1,076,440</u>	<u>\$ 990,426</u>	<u>\$ 994,985</u>	<u>\$ 969,130</u>	<u>\$ 852,625</u>	<u>\$ 815,386</u>	
15.92%	46.93%	3.10%	22.29%	22.06%	-1.52%	

CITY OF ROLLINGWOOD, TEXAS

SCHEDULE OF CONTRIBUTIONS –
TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION

*Last 10 fiscal years

	For the fiscal year ended September 30,			
	2023	2022	2021	2020
Actuarially determined contributions	\$ 180,021	\$ 165,986	\$ 166,372	\$ 138,811
Contributions in relation to the actuarially determined contributions	<u>180,021</u>	<u>165,986</u>	<u>166,372</u>	<u>138,811</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,517,610</u>	<u>\$ 1,430,636</u>	<u>\$ 1,453,299</u>	<u>\$ 1,186,676</u>
Contributions as a percentage of covered payroll	11.86%	11.60%	11.45%	11.70%

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the ninth year of implementation of GASB 68. The City will develop the schedule prospectively.

For the fiscal year ended September 30,				
2019	2018	2017	2016	2015
\$ 111,022	\$ 91,634	\$ 83,025	\$ 70,030	\$ 49,439
<u>111,022</u>	<u>91,634</u>	<u>83,025</u>	<u>70,030</u>	<u>49,439</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 1,047,982</u>	<u>\$ 1,018,830</u>	<u>\$ 963,149</u>	<u>\$ 937,038</u>	<u>\$ 815,827</u>
10.59%	8.99%	8.62%	7.47%	6.06%

CITY OF ROLLINGWOOD, TEXAS

SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT
BENEFITS LIABILITY (OPEB) AND RELATED RATIOS -
TEXAS MUNICIPAL RETIREMENT SYSTEM

*Last 10 fiscal years

	For the measurement year ended December 31,		
	2022	2021	2020
Total OPEB liability			
Service cost	\$ 4,619	\$ 5,445	\$ 3,345
Interest on the total OPEB liability	1,672	1,519	1,654
Changes of benefit terms	-	-	-
Difference between expected and actual experience	6,703	7,247	1,170
Change of assumptions	(33,793)	2,699	9,610
Benefit payments	<u>(1,443)</u>	<u>(1,720)</u>	<u>(372)</u>
Net change in total OPEB liability	(22,242)	15,190	15,407
Total OPEB liability - beginning	<u>89,261</u>	<u>74,071</u>	<u>58,664</u>
Total OPEB liability - ending	<u>\$ 67,019</u>	<u>\$ 89,261</u>	<u>\$ 74,071</u>
Covered payroll	<u>\$ 1,443,431</u>	<u>\$ 1,432,962</u>	<u>\$ 1,238,779</u>
Total OPEB liability as a percentage of covered payroll	4.64%	6.23%	5.98%

*GASB 75 requires 10 fiscal years of data to be provide in this schedule. This is the sixth year of implementation of GASB 75. The City will develop the schedule prospectively.

For the measurement year ended December 31,		
<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 2,583	\$ 2,278	\$ 2,089
1,647	1,375	1,332
-	-	-
2,179	2,258	-
9,378	(2,968)	3,050
<u>(431)</u>	<u>(99)</u>	<u>(398)</u>
15,356	2,844	6,073
<u>43,308</u>	<u>40,464</u>	<u>34,391</u>
<u>\$ 58,664</u>	<u>\$ 43,308</u>	<u>\$ 40,464</u>
<u>\$ 1,076,440</u>	<u>\$ 990,426</u>	<u>\$ 994,985</u>
5.45%	4.37%	4.07%

CITY OF ROLLINGWOOD, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2023

(1) Budget information

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year end.

The original budget for the general fund is adopted by the City Council by September 30. Budgetary preparation and control is exercised at the department level. Both the original and final budget is included.

(2) Schedule of contributions

Valuation date:

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	21 years (longest amortization ladder)
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Table. The rates are projected on a fully geerational 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 SUPPLEMENTARY INFORMATION



CITY OF ROLLINGWOOD, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2023

	Special Revenue Funds						Special
	Street Maintenance	Drainage	Court Security	Court Technology	Court Efficiency	Police Forfeiture	Revenue Funds Total
Assets:							
Cash and cash equivalents	\$ 457,026	\$ -	\$ 12,428	\$ 11,336	\$ 114	\$ 915	\$ 481,819
Due from other funds	-	-	-	-	-	-	-
Sales tax receivable	14,466	-	-	-	-	-	14,466
Other receivable	-	-	-	-	-	-	-
Total assets	<u>\$ 471,492</u>	<u>\$ -</u>	<u>\$ 12,428</u>	<u>\$ 11,336</u>	<u>\$ 114</u>	<u>\$ 915</u>	<u>\$ 496,285</u>
Liabilities:							
Accounts payable	\$ -	\$ 14,875	\$ -	\$ 304	\$ -	\$ -	\$ 15,179
Accrued liabilities	-	40,884	-	-	-	-	40,884
Due to other funds	-	183,806	-	-	-	-	183,806
Total liabilities	<u>-</u>	<u>239,565</u>	<u>-</u>	<u>304</u>	<u>-</u>	<u>-</u>	<u>239,869</u>
Fund balances:							
Reserved for street maintenance	471,492	-	-	-	-	-	471,492
Reserved for municipal court	-	-	12,428	11,032	114	-	23,574
Reserved for police department	-	-	-	-	-	915	915
Unassigned	-	(239,565)	-	-	-	-	(239,565)
Total fund balances	<u>471,492</u>	<u>(239,565)</u>	<u>12,428</u>	<u>11,032</u>	<u>114</u>	<u>915</u>	<u>256,416</u>
Total liabilities and fund balances	<u>\$ 471,492</u>	<u>\$ -</u>	<u>\$ 12,428</u>	<u>\$ 11,336</u>	<u>\$ 114</u>	<u>\$ 915</u>	<u>\$ 496,285</u>

CITY OF ROLLINGWOOD, TEXAS

COMBINING STATEMENT OF REVENUES AND EXPENDITURES
NONMAJOR GOVERNMENTAL FUNDS

For the year ended September 30, 2023

	Special Revenue Funds						Special Revenue Funds Total
	Street Maintenance	Drainage	Court Security	Court Technology	Court Efficiency	Police Forfeiture	
Revenues:							
Sales tax	\$ 175,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,220
Licenses and fees	-	30,250	-	-	-	-	30,250
Fines and forfeitures	-	-	2,869	2,382	-	-	5,251
Interest income	340	-	-	-	-	-	340
Total revenues	<u>175,560</u>	<u>30,250</u>	<u>2,869</u>	<u>2,382</u>	<u>-</u>	<u>-</u>	<u>211,061</u>
Expenditures:							
Court	-	-	319	899	-	-	1,218
Drainage	-	150,834	-	-	-	-	150,834
Total expenditures	<u>-</u>	<u>150,834</u>	<u>319</u>	<u>899</u>	<u>-</u>	<u>-</u>	<u>152,052</u>
Excess (deficiency) of revenues over (under) expenditures	175,560	(120,584)	2,550	1,483	-	-	59,009
Transfers:							
Transfers out	(110,536)	-	-	-	-	-	(110,536)
Total transfers	<u>(110,536)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,536)</u>
Net change in fund balance	65,024	(120,584)	2,550	1,483	-	-	(51,527)
Total fund balance - beginning	<u>406,468</u>	<u>(118,981)</u>	<u>9,878</u>	<u>9,549</u>	<u>114</u>	<u>915</u>	<u>307,943</u>
Total fund balance - ending	<u>\$ 471,492</u>	<u>\$ (239,565)</u>	<u>\$ 12,428</u>	<u>\$ 11,032</u>	<u>\$ 114</u>	<u>\$ 915</u>	<u>\$ 256,416</u>

CITY OF ROLLINGWOOD, TEXAS

BALANCE SHEET
COMPONENT UNIT

September 30, 2023

	Rollingwood Community Development Corporation
	<u> </u>
Assets:	
Cash and cash equivalents	\$ 478,917
Due from the City	<u>14,466</u>
Total assets	<u>\$ 493,383</u>
Liabilities:	
Accounts payable to other governments	<u>\$ 3,500</u>
Total liabilities	<u>3,500</u>
Net position:	
Unrestricted net position	<u>489,883</u>
Total net position	<u>489,883</u>
Total liabilities and net position	<u>\$ 493,383</u>

CITY OF ROLLINGWOOD, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
COMPONENT UNIT

For the year ended September 30, 2023

	Rollingwood Community Development Corporation
	<u> </u>
Revenues:	
Sales taxes	\$ 175,221
Intergovernmental	31,376
Interest	<u>7,172</u>
Total revenues	<u>213,769</u>
Expenditures:	
Current:	
Administration	<u>113,255</u>
Total expenditures	<u>113,255</u>
Change in net position	100,514
Net position - beginning of year	<u>389,369</u>
Net position - end of year	<u>\$ 489,883</u>

COMPLIANCE SECTION



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

To the Members of the City Council
City of Rollingwood, Texas
403 Nixon Drive
Rollingwood, Texas 78746

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 Rollingwood, Texas, (the City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Rollingwood, Texas' basic financial statements, and have issued our report thereon dated March 20, 2024.

Report on Internal Control over Financial Reporting

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Antonio, Texas

March 20, 2024