

FINAL DRAFT

# CITY OF ROLLINGWOOD, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

**abip**

CPAs | ADVISORS

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**



## CITY OF ROLLINGWOOD, TEXAS

## TABLE OF CONTENTS

September 30, 2021

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	5-11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16-17
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Change in Statement of Activities	21
Proprietary Funds:	
Statement of Net Position – Enterprise Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Position - Enterprise Funds	23
Statement of Cash Flows - Enterprise Funds	24-25
Notes to the Financial Statements	27-48
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (GAAP Basis) and Actual - General Fund	51
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Texas Municipal Retirement System	52
Schedule of Contributions – Texas Municipal Retirement System - Pension	53

CITY OF ROLLINGWOOD, TEXAS

TABLE OF CONTENTS

September 30, 2021

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)	
Schedule of Changes in Other Postemployment Benefits (OPEB) Liability and Related Ratios Texas Municipal Retirement System	54
Schedule of Contributions – Texas Municipal Retirement System – Other Postemployment Benefits (OPEB)	55
Notes to Required Supplementary Information	56
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds:	
Combining Balance Sheet	59
Combining Statement of Revenues and Expenditures	60
Component Unit:	
Balance Sheet	61
Statement of Revenues, Expenditures, and Changes in Net Position	62
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 <i>Government Auditing Standards</i>	65-66

**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 Financial Statements**

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

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

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

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

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

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

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

## ***Opinions***

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

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 9, 2022, 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 9, 2022



## CITY OF ROLLINGWOOD, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2021

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, 2021.

#### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2021 by \$4,547,176. Of this amount \$1,435,926 (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 \$5,640,243 for the fiscal year. The net expense after charges for services and operating contributions was \$2,116,522.
- During the year, the City's general fund revenues exceeded expenditures by \$107,283.
- At September 30, 2021 the City's governmental funds reported combined ending fund balances of \$3,673,846, a net increase of \$161,988. This increase is due mainly to an increase of revenues over expenditures.
- At September 30, 2021 the unassigned fund balance for the general fund was \$1,600,580 or 67% 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 2021 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, debt service fund, and drainage fund which are considered to be major funds. Data from the other five (5) 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 \$4,547,176 (net position). Of this amount, \$1,435,926 (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors.

The largest portion of the City’s net position (61%) 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 (7.2%) represents resources that are subject to external restrictions on how they may be used.

### NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets:</b>						
Current and other assets	\$ 4,134,838	\$ 3,831,045	\$ 1,554,343	\$ 1,485,331	\$ 5,689,181	\$ 5,316,376
Capital assets	<u>2,785,041</u>	<u>2,587,424</u>	<u>11,908,488</u>	<u>12,332,812</u>	<u>14,693,529</u>	<u>14,920,236</u>
Total assets	<u>6,919,879</u>	<u>6,418,469</u>	<u>13,462,831</u>	<u>13,818,143</u>	<u>20,382,710</u>	<u>20,236,612</u>
Deferred outflows of resources	<u>151,879</u>	<u>107,498</u>	<u>47,962</u>	<u>33,948</u>	<u>199,841</u>	<u>141,446</u>
<b>Liabilities:</b>						
Current liabilities	911,454	703,709	1,172,297	804,518	2,083,751	1,508,227
Long-term liabilities	<u>3,229,498</u>	<u>3,448,689</u>	<u>10,594,931</u>	<u>11,024,641</u>	<u>13,824,429</u>	<u>14,473,330</u>
Total liabilities	<u>4,140,952</u>	<u>4,152,398</u>	<u>11,767,228</u>	<u>11,829,159</u>	<u>15,908,180</u>	<u>15,981,557</u>
Deferred inflows of resources	<u>96,667</u>	<u>135,286</u>	<u>30,528</u>	<u>42,722</u>	<u>127,195</u>	<u>178,008</u>
<b>Net position:</b>						
Net investment in capital assets	1,113,859	951,160	1,668,370	924,010	2,782,229	1,875,170
Restricted	329,021	273,787	-	-	329,021	273,787
Unrestricted	<u>1,391,259</u>	<u>1,013,336</u>	<u>44,667</u>	<u>1,056,200</u>	<u>1,435,926</u>	<u>2,069,536</u>
Total net position	<u>\$ 2,834,139</u>	<u>\$ 2,238,283</u>	<u>\$ 1,713,037</u>	<u>\$ 1,980,210</u>	<u>\$ 4,547,176</u>	<u>\$ 4,218,493</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 \$595,856.

A key element is as follows:

- An increase in property tax revenue.

Business-type activities – Business-type activities decreased the City’s net position by \$267,174.

A key element is as follows:

- An increase in expenditures was greater than revenues received due to maintenance and repairs.

The following table indicates changes in net position for the governmental and business-type activities for the City as of September 30, 2021.

### CHANGE IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues						
Charges for services	\$ 487,981	\$ 418,296	\$ 1,958,899	\$ 1,875,774	\$ 2,446,880	\$ 2,294,070
Operating contributions	19,936	94,253	-	-	19,936	94,253
General revenues						
Property taxes	2,628,347	2,153,098	-	-	2,628,347	2,153,098
Sales taxes	769,372	789,120	-	-	769,372	789,120
Franchise taxes	91,528	145,394	-	-	91,528	145,394
Unrestricted investment earnings	1,493	2,208	504	3,523	1,997	5,731
Other income	10,866	9,797	-	-	10,866	9,797
Total revenues	<u>4,009,523</u>	<u>3,612,166</u>	<u>1,959,403</u>	<u>1,879,297</u>	<u>5,968,926</u>	<u>5,491,463</u>
Expenses:						
General government	626,137	631,532	-	-	626,137	631,532
Public works	34,081	43,803	-	-	34,081	43,803
Sanitation	143,605	141,391	-	-	143,605	141,391
Public safety	1,155,381	1,099,467	-	-	1,155,381	1,099,467
Court	103,002	105,336	-	-	103,002	105,336
Parks and recreation	97,404	136,704	-	-	97,404	136,704
Streets	203,647	185,472	-	-	203,647	185,472
Development services	173,704	174,360	-	-	173,704	174,360
Interest	87,478	110,562	-	-	87,478	110,562
Water	-	-	1,582,194	1,231,638	1,582,194	1,231,638
Wastewater	-	-	1,433,610	1,276,782	1,433,610	1,276,782
Total expenses	<u>2,624,439</u>	<u>2,628,627</u>	<u>3,015,804</u>	<u>2,508,420</u>	<u>5,640,243</u>	<u>5,137,047</u>
Increase (decrease) in net position before transfers	<u>1,385,084</u>	<u>983,539</u>	<u>(1,056,401)</u>	<u>(629,123)</u>	<u>328,683</u>	<u>354,416</u>
Transfers	<u>(789,228)</u>	<u>(725,759)</u>	<u>789,228</u>	<u>725,759</u>	<u>-</u>	<u>-</u>
Change in net position	595,856	258,109	(267,173)	96,307	328,683	354,416
Net position - beginning	<u>2,238,283</u>	<u>1,980,174</u>	<u>1,980,210</u>	<u>1,883,903</u>	<u>4,218,493</u>	<u>3,864,077</u>
Net position - ending	<u>\$ 2,834,139</u>	<u>\$ 2,238,283</u>	<u>\$ 1,713,037</u>	<u>\$ 1,980,210</u>	<u>\$ 4,547,176</u>	<u>\$ 4,218,493</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 \$3,673,846, an increase of \$161,988 from the prior year. This increase is due primarily to revenues increased while overall expenditures decreased.

Approximately 44% of this total amount, \$1,600,580 constitutes fund balance which is available for spending at the government's discretion. The remainder fund balance of \$2,073,266 or 56% is non-spendable or 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 \$1,600,580. The unassigned fund balance represents 67% of total general fund expenditures. The fund balance of the City's general fund decreased by \$57,219 during the current fiscal year.

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 \$44,666. The total decrease for the funds was \$267,173.

## GENERAL FUND BUDGETARY HIGHLIGHTS

General fund – Actual fiscal year expenditures in the general fund were \$246,613 less than the final budgeted amounts or appropriations. The fiscal year 2021 budget was amended from the original budget adopted by Council.

The major difference between the original and final budget was:

- \$116,700 – budget increase in general government services.
- \$317,000 – budget increase for revenues.

## 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, 2021 amounted to \$14,693,529 (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 2021 fiscal year compared to 2020. 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.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Capital assets-not depreciated						
Land	\$ 321,438	\$ 321,438	\$ -	\$ -	\$ 321,438	\$ 321,438
Construction in progress	308,752	-	-	-	308,752	-
Total capital assets - not depreciated	<u>630,190</u>	<u>321,438</u>	<u>-</u>	<u>-</u>	<u>630,190</u>	<u>321,438</u>
Capital assets-depreciated						
Buildings and improvements	721,038	721,038	39,560	41,280	760,598	762,318
Equipment	957,732	920,588	171,879	129,634	1,129,611	1,050,222
Infrastructure	<u>2,215,866</u>	<u>2,215,866</u>	<u>16,794,455</u>	<u>16,794,455</u>	<u>19,010,321</u>	<u>19,010,321</u>
Total capital assets - depreciated	<u>3,894,636</u>	<u>3,857,492</u>	<u>17,005,894</u>	<u>16,965,369</u>	<u>20,900,530</u>	<u>20,822,861</u>
Less: accumulated depreciation						
Buildings and improvements	(261,774)	(245,367)	-	-	(261,774)	(245,367)
Equipment	(742,971)	(697,466)	(117,423)	(96,355)	(860,394)	(793,821)
Infrastructure	<u>(735,040)</u>	<u>(648,673)</u>	<u>(4,979,983)</u>	<u>(4,536,202)</u>	<u>(5,715,023)</u>	<u>(5,184,875)</u>
Total accumulated depreciation	<u>(1,739,785)</u>	<u>(1,591,506)</u>	<u>(5,097,406)</u>	<u>(4,632,557)</u>	<u>(6,837,191)</u>	<u>(6,224,063)</u>
Total capital assets - net	<u>\$ 2,785,041</u>	<u>\$ 2,587,424</u>	<u>\$ 11,908,488</u>	<u>\$ 12,332,812</u>	<u>\$ 14,693,529</u>	<u>\$ 14,920,236</u>

Long-term liabilities – At the end of the current fiscal year, the City had total bonded debt outstanding of \$13,595,000. Additional information on liabilities may be found in note 9 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.

The outbreak of the respiratory disease COVID-19 was characterized in early 2020 as a pandemic by the World Health Organization. The City of Rollingwood has overcome COVID-19 related obstacles and has now returned to normal operations. Despite the COVID-19 pandemic’s ongoing effects on the State and national economy, commercial development continues in the Austin-Round Rock MSA resulting in additional job growth and opportunity.



## 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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,014,699	\$ 1,140,249	\$ 5,154,948	\$ 334,133
Accounts receivable-net of allowances for uncollectibles:				
Property taxes	35,199	-	35,199	-
Other	84,940	414,094	499,034	12,063
Internal balances	-	-	-	-
Restricted cash	-	-	-	-
Prepaid items	-	-	-	-
Capital assets:				
Land	321,438	-	321,438	-
Construction in progress	308,752	-	308,752	-
Buildings and improvements	459,264	-	459,264	-
Water distribution system	-	2,358,054	2,358,054	-
Wastewater system	-	9,367,332	9,367,332	-
Wastewater system-connections	-	89,086	89,086	-
Equipment	214,761	54,456	269,217	-
Infrastructure	1,480,826	-	1,480,826	-
Wastewater system-building improvements	-	39,560	39,560	-
Total assets	<u>6,919,879</u>	<u>13,462,831</u>	<u>20,382,710</u>	<u>346,196</u>
Deferred outflows of resources - OPEB	15,148	4,784	19,932	-
Deferred outflows of resources - pension	<u>136,731</u>	<u>43,178</u>	<u>179,909</u>	-
Total deferred outflows of resources	<u>151,879</u>	<u>47,962</u>	<u>199,841</u>	-
<b>Liabilities:</b>				
Accounts payable	116,469	445,775	562,244	24,542
Accrued interest payable	12,782	56,915	69,697	-
Accrued expenses	63,700	2,760	66,460	-
Unearned revenue	245,624	33,791	279,415	-
Compensated absences	74,593	19,912	94,505	-
Noncurrent liabilities:				
Payable from restricted assets -				
Customer deposits	-	162,194	162,194	-
Net pension liability	156,064	49,283	205,347	-
OPEB liability	56,293	17,778	74,071	-
Due within one year	398,286	450,950	849,236	-
Due in more than one year	<u>3,017,141</u>	<u>10,527,870</u>	<u>13,545,011</u>	-
Total liabilities	<u>4,140,952</u>	<u>11,767,228</u>	<u>15,908,180</u>	<u>24,542</u>
Deferred inflows of resources - pension	95,493	30,156	125,649	-
Deferred inflows of resources - OPEB	<u>1,174</u>	<u>372</u>	<u>1,546</u>	-
Total deferred inflows of resources	<u>96,667</u>	<u>30,528</u>	<u>127,195</u>	-
<b>Net position:</b>				
Net investment in capital assets	1,113,859	1,668,370	2,782,229	-
Restricted for:				
Construction	-	-	-	-
Street maintenance	311,617	-	311,617	-
Municipal court	15,886	-	15,886	-
Debt service	603	-	603	-
Police department	915	-	915	-
Unrestricted net position	<u>1,391,259</u>	<u>44,667</u>	<u>1,435,926</u>	<u>321,654</u>
Total net position	<u>\$ 2,834,139</u>	<u>\$ 1,713,037</u>	<u>\$ 4,547,176</u>	<u>\$ 321,654</u>

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

CITY OF ROLLINGWOOD, TEXAS

STATEMENT OF ACTIVITIES

September 30, 2021

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Contributions
Primary governmental activities:			
General government	\$ (626,137)	\$ 148,000	\$ 19,936
Public works	(34,081)	163,065	-
Sanitation	(143,605)	-	-
Public safety	(1,155,381)	-	-
Court	(103,002)	138,751	-
Parks and recreation	(97,404)	38,165	-
Streets	(203,647)	-	-
Development services	(173,704)	-	-
Interest and tax note issuance expense	(87,478)	-	-
Total primary governmental activities	<u>(2,624,439)</u>	<u>487,981</u>	<u>19,936</u>
Business-type activities:			
Water	(1,582,194)	1,213,362	-
Wastewater	<u>(1,433,610)</u>	<u>745,537</u>	<u>-</u>
Total business-type activities	<u>(3,015,804)</u>	<u>1,958,899</u>	<u>-</u>
Primary government	<u>\$ (5,640,243)</u>	<u>\$ 2,446,880</u>	<u>\$ 19,936</u>
Component unit:			
Component unit			
Rollingwood Community Development Corporation	<u>\$ (141,332)</u>	<u>\$ -</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

Net position at end of year

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Government Total	Component Unit
\$ (458,201)	\$ -	\$ (458,201)	
128,984	-	128,984	
(143,605)	-	(143,605)	
(1,155,381)	-	(1,155,381)	
35,749	-	35,749	
(59,239)	-	(59,239)	
(203,647)	-	(203,647)	
(173,704)	-	(173,704)	
<u>(87,478)</u>	<u>-</u>	<u>(87,478)</u>	
<u>(2,116,522)</u>	<u>-</u>	<u>(2,116,522)</u>	
-	(368,832)	(368,832)	
<u>-</u>	<u>(688,073)</u>	<u>(688,073)</u>	
<u>-</u>	<u>(1,056,905)</u>	<u>(1,056,905)</u>	
<u>(2,116,522)</u>	<u>(1,056,905)</u>	<u>(3,173,427)</u>	
			<u>\$ (141,332)</u>
2,628,347	-	2,628,347	-
769,372	-	769,372	152,853
91,528	-	91,528	-
1,493	504	1,997	90
10,866	-	10,866	-
<u>(789,228)</u>	<u>789,228</u>	<u>-</u>	<u>-</u>
<u>2,712,378</u>	<u>789,732</u>	<u>3,502,110</u>	<u>152,943</u>
595,856	(267,173)	328,683	11,611
<u>2,238,283</u>	<u>1,980,210</u>	<u>4,218,493</u>	<u>310,043</u>
<u>\$ 2,834,139</u>	<u>\$ 1,713,037</u>	<u>\$ 4,547,176</u>	<u>\$ 321,654</u>

CITY OF ROLLINGWOOD, TEXAS

BALANCE SHEET  
GOVERNMENTAL FUNDS

September 30, 2021

	General Fund	Debt Service Fund	Drainage Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 3,697,656	\$ 603	\$ -	\$ 316,440	\$ 4,014,699
Taxes receivables, net	19,010	16,189	-	-	35,199
Sales tax receivable	48,284	-	-	11,976	60,260
Other receivables	113	-	-	25	138
Due from component unit	24,542	-	-	-	24,542
Due from other funds	-	-	69,387	-	69,387
<b>Total assets</b>	<b>\$ 3,789,605</b>	<b>\$ 16,792</b>	<b>\$ 69,387</b>	<b>\$ 328,441</b>	<b>\$ 4,204,225</b>
<b>Liabilities:</b>					
Accounts payable	\$ 87,943	\$ -	\$ 28,503	\$ 23	\$ 116,469
Accrued liabilities	22,816	-	40,884	-	63,700
Due to other funds	69,387	-	-	-	69,387
Unearned revenue	245,624	-	-	-	245,624
<b>Total liabilities</b>	<b>425,770</b>	<b>-</b>	<b>69,387</b>	<b>23</b>	<b>495,180</b>
<b>Deferred inflows of resources:</b>					
Unearned revenue - property taxes	19,010	16,189	-	-	35,199
<b>Fund balances:</b>					
Restricted for construction	1,744,245	-	-	-	1,744,245
Restricted for street maintenance	-	-	-	311,617	311,617
Restricted for municipal court	-	-	-	15,886	15,886
Restricted for police department	-	-	-	915	915
Restricted for debt service	-	603	-	-	603
Unassigned	1,600,580	-	-	-	1,600,580
<b>Total fund balances</b>	<b>3,344,825</b>	<b>603</b>	<b>-</b>	<b>328,418</b>	<b>3,673,846</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,789,605</b>	<b>\$ 16,792</b>	<b>\$ 69,387</b>	<b>\$ 328,441</b>	<b>\$ 4,204,225</b>

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, 2021

Total fund balances - governmental funds	\$ 3,673,846
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.	2,785,041
Property taxes receivable unavailable to pay current expenses are deferred in the funds.	35,199
Long-term liabilities, including bonds payable and bond premiums are not due and payable in the current period, and therefore, not reported in the funds.	(3,490,020)
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>(157,145)</u>
Total net position of governmental activities	<u>\$ 2,834,139</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, 2021

	General Fund	Debt Service Fund	Drainage Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property taxes	\$ 1,374,785	\$ 1,267,046	\$ -	\$ -	\$ 2,641,831
Sales taxes	616,507	-	-	152,865	769,372
Franchise and telecommunications fees	91,528	-	-	-	91,528
Licenses and fees	268,809	-	115,818	1,655	386,282
Fines and forfeitures	16,699	-	-	-	16,699
Contributions	10	-	-	-	10
Intergovernmental	19,926	-	-	-	19,926
Other income	95,866	-	-	-	95,866
Interest	1,394	-	-	99	1,493
Total revenues	<u>2,485,524</u>	<u>1,267,046</u>	<u>115,818</u>	<u>154,619</u>	<u>4,023,007</u>
Expenditures:					
General government	594,435	-	-	-	594,435
Public works	39,129	-	-	-	39,129
Sanitation	135,302	-	-	-	135,302
Public safety	1,096,410	-	-	2,400	1,098,810
Court	87,205	-	-	9,123	96,328
Parks and recreation	90,251	-	-	-	90,251
Streets	124,661	-	66,026	-	190,687
Development	173,704	-	-	-	173,704
Capital outlay	37,144	-	308,752	-	345,896
Debt service:					
Principal	-	365,625	-	-	365,625
Interest and fees	-	88,132	-	-	88,132
Debt issuance costs	-	1,320	-	-	1,320
Total expenditures	<u>2,378,241</u>	<u>455,077</u>	<u>374,778</u>	<u>11,523</u>	<u>3,219,619</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	107,283	811,969	(258,960)	143,096	803,388
Other financing sources (uses):					
Transfers in	-	-	400,795	-	400,795
Transfers out	(312,330)	(789,228)	-	(88,465)	(1,190,023)
Capital lease	147,828	-	-	-	147,828
Total other financing sources (uses)	<u>(164,502)</u>	<u>(789,228)</u>	<u>400,795</u>	<u>(88,465)</u>	<u>(641,400)</u>
Net change in fund balances	(57,219)	22,741	141,835	54,631	161,988
Fund balance - beginning of year	<u>3,402,044</u>	<u>(22,138)</u>	<u>(141,835)</u>	<u>273,787</u>	<u>3,511,858</u>
Fund balance - end of year	<u>\$ 3,344,825</u>	<u>\$ 603</u>	<u>\$ -</u>	<u>\$ 328,418</u>	<u>\$ 3,673,846</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, 2021

Net change in fund balances - governmental funds \$ 161,988

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. 345,896

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 2021 depreciation. (148,279)

Revenues that are deferred in governmental activities 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. (13,484)

The issuance of long-term debt (i.e. bonds, tax notes) provides current financial resources to governmental funds, but is a liability in the governmental activities. (147,828)

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. 371,870

The change in net pension and OPEB liability and deferred outflows related to the City's TMRS pension asset. 45,488

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, interest expense) (19,795)

Change in net position of governmental activities \$ 595,856

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

CITY OF ROLLINGWOOD, TEXAS

STATEMENT OF NET POSITION  
ENTERPRISE FUNDS

Year ended September 30, 2021

	Enterprise Fund		Total
	Water Fund	Wastewater Fund	Enterprise Funds
Current assets:			
Cash and cash equivalents	\$ 384,823	\$ 755,426	\$ 1,140,249
Accounts receivable, net	295,555	118,539	414,094
Total current assets	<u>680,378</u>	<u>873,965</u>	<u>1,554,343</u>
Noncurrent assets:			
Capital assets, net:			
Water distribution system	2,358,054	-	2,358,054
Wastewater system	-	9,367,332	9,367,332
Wastewater system-connections	-	89,086	89,086
Equipment	33,796	20,660	54,456
Wastewater system-building improvements	-	39,560	39,560
Total noncurrent assets	<u>2,391,850</u>	<u>9,516,638</u>	<u>11,908,488</u>
Total assets	<u>3,072,228</u>	<u>10,390,603</u>	<u>13,462,831</u>
Deferred outflows of resources - pension	21,589	21,589	43,178
Deferred outflows of resources - OPEB	2,392	2,392	4,784
Total outflows of resources	<u>23,981</u>	<u>23,981</u>	<u>47,962</u>
Current liabilities:			
Accounts payable	288,881	156,894	445,775
Accrued interest payable	3,651	53,264	56,915
Accrued liabilities	1,380	1,380	2,760
Unearned revenue	33,791		33,791
Current portion of long-term liabilities:			
Bond payable	40,950	410,000	450,950
Total current liabilities	<u>368,653</u>	<u>621,538</u>	<u>990,191</u>
Noncurrent liabilities:			
Compensated absences	9,956	9,956	19,912
Bonds payable	606,375	9,345,000	9,951,375
Capital lease payable	41,695	-	41,695
Bond premiums	34,460	500,340	534,800
Net pension liability	24,642	24,641	49,283
OPEB liability	8,889	8,889	17,778
Customer deposits	161,870	324	162,194
Total noncurrent liabilities	<u>887,887</u>	<u>9,889,150</u>	<u>10,777,037</u>
Total liabilities	<u>1,256,540</u>	<u>10,510,688</u>	<u>11,767,228</u>
Deferred inflow - pension	15,078	15,078	30,156
Deferred inflow - OPEB	186	186	372
Total inflows of resources	<u>15,264</u>	<u>15,264</u>	<u>30,528</u>
Net position:			
Net investment in capital assets	1,668,370	-	1,668,370
Unrestricted net position	156,035	(111,368)	44,667
Total net position	<u>\$ 1,824,405</u>	<u>\$ (111,368)</u>	<u>\$ 1,713,037</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, 2021

	Enterprise Fund		Total Enterprise Funds
	Water Fund	Wastewater Fund	
Operating revenues:			
Charges for sales and services:			
Water sales	\$ 1,213,362	\$ -	\$ 1,213,362
Wastewater revenues	-	636,327	636,327
Wastewater surcharge	-	98,154	98,154
Industrial waste surcharges	-	11,056	11,056
Total operating revenues	<u>1,213,362</u>	<u>745,537</u>	<u>1,958,899</u>
Operating expenses:			
Water purchased	709,751	-	709,751
Wastewater fees	-	3,900	3,900
Personnel services	234,652	230,890	465,542
Repairs and maintenance	305,018	119,639	424,657
System operation	63,422	294,080	357,502
Contract services	109,106	169,845	278,951
Depreciation	<u>139,896</u>	<u>326,674</u>	<u>466,570</u>
Total operating expenses	<u>1,561,845</u>	<u>1,145,028</u>	<u>2,706,873</u>
Operating income (loss)	<u>(348,483)</u>	<u>(399,491)</u>	<u>(747,974)</u>
Nonoperating revenues (expenses):			
Interest expense	(20,349)	(288,582)	(308,931)
Investment earnings	<u>192</u>	<u>312</u>	<u>504</u>
Total nonoperating revenues (expenses)	<u>(20,157)</u>	<u>(288,270)</u>	<u>(308,427)</u>
Transfers:			
Transfers in	62,858	726,370	789,228
Change in net position	(305,782)	38,609	(267,173)
Net position at beginning of year	<u>2,130,187</u>	<u>(149,977)</u>	<u>1,980,210</u>
Net position at end of year	<u>\$ 1,824,405</u>	<u>\$ (111,368)</u>	<u>\$ 1,713,037</u>

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, 2021

	Enterprise Funds		
	Water	Wastewater	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,154,619	\$ 677,371	\$ 1,831,990
Cash paid to employees for services	(982,066)	(465,618)	(1,447,684)
Cash paid to suppliers for goods and services	(240,974)	(237,213)	(478,187)
Net cash provided by (used in) operating activities	(68,421)	(25,460)	(93,881)
Cash flows from capital and related financing activities:			
Proceeds from debt issuance	41,695	-	41,695
Acquisition and construction of capital assets	(42,246)	-	(42,246)
Principal paid on bonded debt	(39,375)	(400,000)	(439,375)
Interest paid on bonded debt	(23,483)	(326,370)	(349,853)
Net cash provided by (used in) capital and related financing activities	(63,409)	(726,370)	(831,474)
Cash flows from noncapital financing activities:			
Transfers from other funds	62,858	726,370	789,228
Net cash provided by (used in) noncapital financing activities	62,858	726,370	789,228
Cash flows from investing activities:			
Interest received	192	312	504
Net increase (decrease) in cash and cash equivalents	(68,780)	(25,148)	(135,623)
Cash and cash equivalents - beginning	453,603	780,574	1,234,177
Cash and cash equivalents - ending	\$ 384,823	\$ 755,426	\$ 1,098,554

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

	Enterprise Funds		
	Water	Wastewater	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (348,483)	\$ (399,491)	\$ (747,974)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	139,896	326,674	466,570
Changes in assets and liabilities			
Decrease (increase) in assets			
Accounts receivable	(94,773)	(68,167)	(162,940)
Increase (decrease) in liabilities			
Accounts payable	205,074	122,142	327,216
Accrued expenses	157	(296)	(139)
Compensated absences	858	858	1,716
Unearned revenue	33,791	(323)	33,468
Net pension liability	4,075	4,074	8,149
OPEB liability	(11,255)	(11,255)	(22,510)
Customer deposits	2,239	324	2,563
 Net cash provided by (used in) operating activities	 \$ (68,421)	 \$ (25,460)	 \$ (93,881)

	SCHEDULE OF NONCASH ACTIVITIES		
Actuarilly determined change in:			
Net pension liability	\$ 1,226	\$ 12,226	\$ 13,452
Other postemployment benefit liability	878	878	1,756
Premium on bonds	2,871	29,431	32,302





## CITY OF ROLLINGWOOD, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

(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, 2021

(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.

Drainage fund: This fund is used to account for resources restricted for the improvements of drainage and flood management within the City.

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, 2021

(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, 2021

(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, 2021

(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.

## 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.

## Cash deposits

At September 30, 2021, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,618,844 and the bank balance was \$4,641,495. The City also had \$250 cash on hand.

The City's cash deposits at September 30, 2021, and during the year ended September 30, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The component unit's cash carrying balance was \$207,650 with a bank balance of \$207,650 which is entirely collateralized by the FDIC. The amount in TexPool was \$126,483 at September 30, 2021.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

(2) Deposits and investments (continued)

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	\$ 536,104	37	AAA	AAAm
Cash on hand	250	n/a	n/a	n/a
Bank deposits	<u>4,618,594</u>	n/a	n/a	n/a
Total cash and cash equivalents	<u>\$ 5,154,948</u>			

## CITY OF ROLLINGWOOD, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

(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, 2021 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.

The City was not exposed to custodial credit risk.

*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, 2021

(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, 2021 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.



CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

(4) Capital assets (continued)

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

Asset	Years
Infrastructure	25
Buildings	40
Equipment	3-25
Sewer line connections	33

Capital asset activity for the year ended September 30, 2021 was as follows:

	Balance September 30, 2020	Additions	Disposals	Balance September 30, 2021
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 321,438	\$ -	\$ -	\$ 321,438
Construction in progress	-	308,752	-	308,752
Total capital assets not being depreciated	<u>321,438</u>	<u>308,752</u>	<u>-</u>	<u>630,190</u>
Capital assets being depreciated:				
Buildings and improvements	721,038	-	-	721,038
Equipment	920,588	37,144	-	957,732
Infrastructure	2,215,866	-	-	2,215,866
Total capital assets being depreciated	<u>3,857,492</u>	<u>37,144</u>	<u>-</u>	<u>3,894,636</u>
Less accumulated depreciation:				
Buildings and improvements	(245,367)	(16,407)	-	(261,774)
Equipment	(697,466)	(45,505)	-	(742,971)
Infrastructure	(648,673)	(86,367)	-	(735,040)
Total accumulated depreciation	<u>(1,591,506)</u>	<u>(148,279)</u>	<u>-</u>	<u>(1,739,785)</u>
Total capital assets being depreciated (net)	<u>2,265,986</u>	<u>(111,135)</u>	<u>-</u>	<u>2,154,851</u>
Governmental activities capital assets (net)	<u>\$ 2,587,424</u>	<u>\$ 197,617</u>	<u>\$ -</u>	<u>\$ 2,785,041</u>

Depreciation was charged to functions as follows:

General government	\$ 44,610
Public works	1,148
Sanitation	8,303
Public safety	67,431
Court	6,674
Parks and recreation	7,153
Streets	12,960
Total	<u>\$ 148,279</u>

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

(4) Capital assets (continued)

	Balance September 30, 2020	Additions	Disposals	Balance September 30, 2021
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Water distribution system	4,337,747	-	-	4,337,747
Wastewater system	12,283,781	-	-	12,283,781
Wastewater system - connections	172,927	-	-	172,927
Equipment - water	29,678	42,245	-	71,923
Equipment - wastewater	99,956	-	-	99,956
Wastewater system - building improvements	43,000	-	-	43,000
Total capital assets being depreciated	<u>16,967,089</u>	<u>42,245</u>	<u>-</u>	<u>17,009,334</u>
Less accumulated depreciation:				
Water distribution system	(1,848,247)	(131,446)	-	(1,979,693)
Wastewater system	(2,609,354)	(307,095)	-	(2,916,449)
Wastewater system - connections	(78,601)	(5,240)	-	(83,841)
Equipment - water	(29,678)	(8,449)	-	(38,127)
Equipment - wastewater	(66,677)	(12,619)	-	(79,296)
Wastewater system - building improvements	(1,720)	(1,720)	-	(3,440)
Total accumulated depreciation	<u>(4,634,277)</u>	<u>(466,569)</u>	<u>-</u>	<u>(5,100,846)</u>
Total capital assets being depreciated (net)	<u>12,332,812</u>	<u>(424,324)</u>	<u>-</u>	<u>11,908,488</u>
Business-type activities capital assets (net)	<u>\$ 12,332,812</u>	<u>\$ (424,324)</u>	<u>\$ -</u>	<u>\$ 11,908,488</u>

(5) Interfund receivables, payables, and transfers

Interfund balances at September 30, 2021 consist of the following:

Receivable Fund	Payable Fund	Amount
General fund	Drainage fund	\$ 69,387

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

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

Interfund transfers during the year ended September 30, 2021 were the result of normal transactions between the funds and consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 312,330
Debt service fund	-	789,228
Drainage fund	400,795	-
Nonmajor governmental funds	-	88,465
Water fund	62,858	-
Wastewater fund	<u>726,370</u>	<u>-</u>
Totals	<u>\$ 1,190,023</u>	<u>\$ 1,190,023</u>

(6) Defined benefit pension plans

Texas Municipal Retirement System

Plan description

The City of Rollingwood participates as one of 895 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 (Annual Report) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

Benefits provided

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

At retirement, the 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.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

(6) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Benefits provided (continued)

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, 2020 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	22
Active employees	<u>18</u>
Total	<u>52</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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 11.30% and 11.20% in calendar years 2021 and 2020, respectively. The City’s contributions to TMRS for the year ended September 30, 2021, were \$166,372, and were equal to the required contributions.

Net pension liability

The City’s net pension liability (NPL) was measured as of December 31, 2020, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

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

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

\* presented net of pension plan investment expense, including inflation

## CITY OF ROLLINGWOOD, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

(6) Defined benefit pension plans (continued)

## Texas Municipal Retirement System (continued)

## Actuarial assumptions (continued)

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) geometric mean (conservative) with an adjustment for time (aggressive).

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

(6) Defined benefit pension plans (continued)

Texas Municipal Retirement System (continued)

Actuarial assumptions (continued)

The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2021 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	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	<u>10.0%</u>	7.75%
Total	<u><u>100.0%</u></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, 2021

(6) 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, 2020:

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at December 31, 2019	\$ 2,759,553	\$ 2,588,158	\$ 171,395
Changes for the year:			
Service cost	203,655	-	203,655
Interest	188,832	-	188,832
Change of benefit terms	-	-	-
Difference between expected and actual experience	70,755	-	70,755
Changes of assumptions	-	-	-
Contributions - employer	-	147,167	(147,167)
Contributions - employee	-	86,715	(86,715)
Net investment income	-	196,730	(196,730)
Benefit payments, including refunds of employee contributions	(127,749)	(127,749)	-
Administrative expense	-	(1,272)	1,272
Other changes	-	(50)	50
Net changes	<u>335,493</u>	<u>301,541</u>	<u>33,952</u>
Balance at December 31, 2020	<u>\$ 3,095,046</u>	<u>\$ 2,889,699</u>	<u>\$ 205,347</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>\$ 653,230</u>	<u>\$ 205,347</u>	<u>\$ (157,157)</u>

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

(6) 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 trms.com.

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

For the year ended September 30, 2021, the City recognized pension expense of \$99,952.

At September 30, 2021, 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	\$ 56,034	\$ 53,024
Changes in actuarial assumptions	15	-
Difference between projected and actual investment earnings	-	72,625
Contributions subsequent to the measurement date	<u>123,860</u>	<u>-</u>
Total	<u>\$ 179,909</u>	<u>\$ 125,649</u>

The City reported \$123,860 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, 2022. 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>
2022	\$ (27,839)
2023	5,167
2024	(42,522)
2025	(4,406)
2026	-
Thereafter	<u>-</u>
Total	<u>\$ (69,600)</u>



CITY OF ROLLINGWOOD, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(7) 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. There is a one-year delay between the actuarial valuation that serves as the basis for the City’s contribution rate and the calendar year when the rate goes into effect. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The contribution rate for the City was 0.28% and 0.25% respectively for calendar years 2020 and 2021. The City’s contributions to TMRS for the SDBF program for the year ended September 30, 2021 were \$3,744, and were equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>18</u>
Total	<u>31</u>

Other postemployment benefits (OPEB) liability

The City’s total OPEB liability of \$74,071 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

CITY OF ROLLINGWOOD, TEXAS  
 NOTES TO FINANCIAL STATEMENTS

September 30, 2021

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

Texas Municipal Retirement System (continued)

Actuarial assumptions:

The total OPEB liability in the December 31, 2020 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 *	2.00%
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, 2020. The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the total OPEB liability:

Balance at December 31, 2019	\$ 58,664
Changes for the year:	
Service cost	3,345
Interest on the total OPEB liability	1,654
Changes of benefit terms	-
Difference between expected and actual experience	1,170
Change of assumptions	9,610
Benefit payments	<u>(372)</u>
Net changes	<u>15,407</u>
Balance at December 31, 2020	<u>\$ 74,071</u>

CITY OF ROLLINGWOOD, TEXAS  
 NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(7) 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 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	<u>1% Decrease in Discount Rate (1.00%)</u>	<u>Current Discount Rate (2.00%)</u>	<u>1% Increase in Discount Rate (3.00%)</u>
City's OPEB liability	\$ <u>90,582</u>	\$ <u>74,071</u>	\$ <u>61,664</u>

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$9,496.

At September 30, 2021, 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	\$ 3,578	\$ -
Changes in actuarial assumptions	15,055	1,546
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>1,299</u>	<u>-</u>
Total	<u>\$ 19,932</u>	<u>\$ 1,546</u>

CITY OF ROLLINGWOOD, TEXAS  
 NOTES TO FINANCIAL STATEMENTS

September 30, 2021

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

Texas Municipal Retirement System (continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB (continued)

The City reported \$1,299 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year September 30,	Amortization Expense
2022	\$ 4,497
2023	4,497
2024	4,138
2025	3,546
2026	409
Thereafter	-
Total	<u>\$ 17,087</u>

(8) Health care coverage

During the year ended September 30, 2021, employees of the City were covered by a health insurance plan (the Plan). The City contributed \$669 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 January 1, 2021, and terms of coverage and contribution costs are included in the contractual provisions.

(9) 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 General Obligation Bonds Taxable Series 2012A, and General Obligation Bonds Series 2012B. The proceeds from the bonds were used to purchase the wastewater system from LCRA. In addition, in 2014, the City issued \$2,835,000 General Obligations Bonds, Series 2014 for water and street improvements.

CITY OF ROLLINGWOOD, TEXAS  
 NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(9) Long-term liabilities (continued)

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	\$ 1,493,300	\$ -	\$ (85,625)	\$ 1,407,675	\$ 85,625
Tax notes - Series 2020	2,065,000	-	(280,000)	1,785,000	285,000
Premium on bonds	81,169	-	(6,245)	74,924	-
Total bonds and notes payable	<u>3,639,469</u>	<u>-</u>	<u>(371,870)</u>	<u>3,267,599</u>	<u>370,625</u>
Other long-term liabilities					
Capital lease	-	147,828	-	147,828	27,661
Total governmental activities bonds	<u>\$ 3,639,469</u>	<u>\$ 147,828</u>	<u>\$ (371,870)</u>	<u>\$ 3,415,427</u>	<u>\$ 398,286</u>
<u>Business-type activities:</u>					
Bonds and notes payable:					
General Obligation Bonds - Series 2012A	\$ 900,000	\$ -	\$ (295,000)	\$ 605,000	\$ 300,000
General Obligation Bonds - Series 2014	686,700	-	(39,375)	647,325	40,950
General Obligation Refunding Bonds - Series 2019	9,255,000	-	(105,000)	9,150,000	110,000
Total bond obligations	10,841,700	-	(439,375)	10,402,325	450,950
Premium on bonds	567,102	-	(32,303)	534,799	-
Total bonds and notes payable	<u>11,408,802</u>	<u>-</u>	<u>(471,678)</u>	<u>10,937,124</u>	<u>450,950</u>
Other long-term liabilities					
Capital lease	-	41,695	-	41,695	7,802
Total business-type activities bonds	<u>\$ 11,408,802</u>	<u>\$ 41,695</u>	<u>\$ (471,678)</u>	<u>\$ 10,978,819</u>	<u>\$ 458,752</u>

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

Future maturities of the bonds are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 374,050	\$ 76,692	\$ 450,742	\$ 450,950	\$ 337,293	\$ 788,243
2023	382,475	68,855	451,330	462,525	323,755	786,280
2024	390,900	60,661	451,561	469,100	309,219	778,319
2025	399,325	53,064	452,389	485,675	290,896	776,571
2026	407,750	45,134	452,884	502,250	271,926	774,176
2027-2031	858,000	126,406	984,406	2,812,000	1,063,931	3,875,931
2032-2036	380,175	26,852	407,027	3,174,825	594,498	3,769,323
2037-2039	-	-	-	2,045,000	124,050	2,169,050
	<u>\$ 3,192,675</u>	<u>\$ 457,664</u>	<u>\$ 3,650,339</u>	<u>\$ 10,402,325</u>	<u>\$ 3,315,568</u>	<u>\$ 13,717,893</u>

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2021

(10) Capital lease payable

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, 2021, the City had future minimum lease payments under capital leases as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2022	\$ 32,630	\$ 9,203	\$ 41,833
2023	32,630	9,203	41,833
2024	32,630	9,203	41,833
2025	32,630	9,204	41,834
2026	<u>32,631</u>	<u>9,204</u>	<u>41,835</u>
Future minimum lease payments	163,151	46,017	209,168
Less: interest	<u>(15,323)</u>	<u>(4,322)</u>	<u>(19,645)</u>
Present value of future minimum lease payments	<u>\$ 147,828</u>	<u>\$ 41,695</u>	<u>\$ 189,523</u>

(11) 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 2021, 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.

**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, 2021**

	Budget Amounts		2021 Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 1,334,671	\$ 1,334,671	\$ 1,374,785	\$ 40,114
Sales taxes	625,000	725,000	616,507	(108,493)
Franchise and telecommunications fees	174,600	174,600	91,528	(83,072)
Licenses and fees	222,350	222,350	268,809	46,459
Fines and forfeitures	48,100	48,100	16,699	(31,401)
Contributions	200	200	10	(190)
Intergovernmental	-	217,000	19,926	(197,074)
Other income	88,600	88,600	95,866	7,266
Interest	2,300	2,300	1,394	(906)
<b>Total revenues</b>	<b>2,495,821</b>	<b>2,812,821</b>	<b>2,485,524</b>	<b>(327,297)</b>
<b>Expenditures:</b>				
General government	742,541	753,041	594,435	158,606
Public works	16,550	39,750	39,129	621
Sanitation	126,000	126,000	135,302	(9,302)
Public safety	1,166,014	1,166,015	1,096,410	69,605
Court	104,594	104,594	87,205	17,389
Parks and recreation	80,520	83,520	90,251	(6,731)
Streets	88,465	121,465	124,661	(3,196)
Development	220,468	195,469	173,704	21,765
Capital outlay	33,000	35,000	37,144	(2,144)
<b>Total expenditures</b>	<b>2,578,152</b>	<b>2,624,854</b>	<b>2,378,241</b>	<b>246,613</b>
Excess (deficiency) of revenues over (under) expenditures	(82,331)	187,967	107,283	(80,684)
<b>Other financing sources (uses):</b>				
Transfers in	88,465	88,465	-	88,465
Transfers out	-	-	(312,330)	(312,330)
Capital lease	-	-	147,828	147,828
<b>Total other financing sources (uses)</b>	<b>88,465</b>	<b>88,465</b>	<b>(164,502)</b>	<b>(252,967)</b>
Net change in fund balances	6,134	276,432	(57,219)	(333,651)
Total fund balance-beginning of year	3,402,044	3,402,044	3,402,044	-
<b>Total fund balance-end of year</b>	<b>\$ 3,408,178</b>	<b>\$ 3,678,476</b>	<b>\$ 3,344,825</b>	<b>\$ (333,651)</b>

CITY OF ROLLINGWOOD, TEXAS

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

\*Last 10 fiscal years

	2020	2019	2018	2017	2016	2015	2014
Total pension liability (asset)							
Service cost	\$ 203,655	\$ 173,630	\$ 159,062	\$ 135,517	\$ 135,678	\$ 118,259	\$ 96,840
Interest on the total pension liability (asset)	188,832	180,313	162,950	143,714	130,208	116,709	100,421
Changes of benefit terms	-	-	155,377	-	-	-	-
Difference between expected and actual experience	70,755	(115,538)	54,499	(55,034)	10,124	14,654	67,358
Change of assumptions	-	35	-	-	-	58,535	-
Benefit payments, including refunds of employee contributions	(127,749)	(126,750)	(126,393)	(86,326)	(65,367)	(44,882)	(40,399)
Net change in total pension liability (asset)	335,493	111,690	405,495	137,871	210,643	263,275	224,220
Total pension liability - beginning	2,759,553	2,647,863	2,242,368	2,104,497	1,893,854	1,630,579	1,406,359
Total pension liability - ending (a)	\$ 3,095,046	\$ 2,759,553	\$ 2,647,863	\$ 2,242,368	\$ 2,104,497	\$ 1,893,854	\$ 1,630,579
Plan fiduciary net position							
Contributions - employer	\$ 147,167	\$ 120,561	\$ 99,407	\$ 89,151	\$ 75,980	\$ 55,591	\$ 39,464
Contributions - employee	86,715	75,351	66,198	59,699	58,148	51,158	48,923
Net investment income	196,730	337,930	(66,312)	261,917	115,339	2,425	86,366
Benefit payments, including refunds of employee contributions	(127,749)	(126,750)	(126,393)	(86,326)	(65,367)	(44,882)	(40,399)
Administrative expense	(1,272)	(1,907)	(1,280)	(1,356)	(1,302)	(1,477)	(902)
Other	(50)	(56)	(67)	(69)	(70)	(73)	(75)
Net change in plan fiduciary net position	301,541	405,129	(28,447)	323,016	182,728	62,742	133,377
Plan fiduciary net position - beginning	2,588,158	2,183,029	2,211,476	1,888,460	1,705,732	1,642,990	1,509,612
Plan fiduciary net position - ending (b)	2,889,699	2,588,158	2,183,029	2,211,476	1,888,460	1,705,732	1,642,989
Net pension liability (asset) (a) - (b)	\$ 205,347	\$ 171,395	\$ 464,834	\$ 30,892	\$ 216,037	\$ 188,122	\$ (12,410)
Plan fiduciary net position as a percentage of total pension liability (asset)	93.37%	93.79%	82.44%	98.62%	89.73%	90.07%	100.76%
Covered payroll	\$ 1,238,779	\$ 1,076,440	\$ 990,426	\$ 994,985	\$ 969,130	\$ 852,625	\$ 815,386
Net pension liability (asset) as a percentage of total covered payroll	19.08%	15.92%	46.93%	3.10%	22.29%	22.06%	-1.52%

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

CITY OF ROLLINGWOOD, TEXAS

SCHEDULE OF CONTRIBUTIONS –  
TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION

**\*Last 10 fiscal years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 166,372	\$ 138,811	\$ 111,022	\$ 91,634	\$ 83,025	\$ 70,030	\$ 49,439
Contributions in relation to the actuarially determined contributions	<u>166,372</u>	<u>138,811</u>	<u>111,022</u>	<u>91,634</u>	<u>83,025</u>	<u>70,030</u>	<u>49,439</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,453,299</u>	<u>\$ 1,186,676</u>	<u>\$ 1,047,982</u>	<u>\$ 1,018,830</u>	<u>\$ 963,149</u>	<u>\$ 937,038</u>	<u>\$ 815,827</u>
Contributions as a percentage of covered payroll	11.45%	11.70%	10.59%	8.99%	8.62%	7.47%	6.06%

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

CITY OF ROLLINGWOOD, TEXAS

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

\*Last 10 fiscal years

	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 3,345	\$ 2,583	\$ 2,278	\$ 2,089
Interest on the total OPEB liability	1,654	1,647	1,375	1,332
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	1,170	2,179	2,258	-
Change of assumptions	9,610	9,378	(2,968)	3,050
Benefit payments	(372)	(431)	(99)	(398)
Net change in total OPEB liability	15,407	15,356	2,844	6,073
Total OPEB liability - beginning	58,664	43,308	40,464	34,391
Total OPEB liability - ending	<u>\$ 74,071</u>	<u>\$ 58,664</u>	<u>\$ 43,308</u>	<u>\$ 40,464</u>
Covered payroll	<u>\$ 1,238,779</u>	<u>\$ 1,076,440</u>	<u>\$ 990,426</u>	<u>\$ 994,985</u>
Total OPEB liability as a percentage of covered payroll	5.98%	5.45%	4.37%	4.07%

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

CITY OF ROLLINGWOOD, TEXAS

SCHEDULE OF CONTRIBUTIONS –  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
OTHER POSTEMPLOYMENT BENEFITS (OPEB)

\*Last 10 fiscal years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 3,744	\$ 3,100	\$ 2,085	\$ 1,862
Contributions in relation to the actuarially determined contributions	<u>3,744</u>	<u>3,100</u>	<u>2,085</u>	<u>1,862</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,453,299</u>	<u>\$ 1,186,676</u>	<u>\$ 1,047,982</u>	<u>\$ 1,018,830</u>
Contributions as a percentage of covered payroll	0.26%	0.26%	0.20%	0.18%

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

CITY OF ROLLINGWOOD, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2021

(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	20 years
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 2010-2014.
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

For the year ended September 30, 2021

	Special Revenue Funds					Special Revenue Funds Total
	Street Maintenance	Court Security	Court Technology	Court Efficiency	Police Forfeiture	
Assets:						
Cash and cash equivalents	\$ 299,641	\$ 7,840	\$ 7,930	\$ 114	\$ 915	\$ 316,440
Due from other funds	-	-	-	-	-	-
Sales tax receivable	11,976	-	-	-	-	11,976
Other receivable	-	9	16	-	-	25
Total assets	<u>\$ 311,617</u>	<u>\$ 7,849</u>	<u>\$ 7,946</u>	<u>\$ 114</u>	<u>\$ 915</u>	<u>\$ 328,441</u>
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 23	\$ -	\$ -	\$ 23
Total liabilities	<u>-</u>	<u>-</u>	<u>23</u>	<u>-</u>	<u>-</u>	<u>23</u>
Fund balances:						
Reserved for street maintenance	311,617	-	-	-	-	311,617
Reserved for municipal court	-	7,849	7,923	114	-	15,886
Reserved for police department	-	-	-	-	915	915
Total fund balances	<u>311,617</u>	<u>7,849</u>	<u>7,923</u>	<u>114</u>	<u>915</u>	<u>328,418</u>
Total liabilities and fund balances	<u>\$ 311,617</u>	<u>\$ 7,849</u>	<u>\$ 7,946</u>	<u>\$ 114</u>	<u>\$ 915</u>	<u>\$ 328,441</u>

CITY OF ROLLINGWOOD, TEXAS

COMBINING STATEMENT OF REVENUES AND EXPENDITURES  
NONMAJOR GOVERNMENTAL FUNDS

For the year ended September 30, 2021

	Special Revenue Funds					Special Revenue Funds Total
	Street Maintenance	Court Security	Court Technology	Court Efficiency	Police Forfeiture	
Revenues:						
Sales tax	\$ 152,865	\$ -	\$ -	\$ -	\$ -	\$ 152,865
Fees	-	936	719	-	-	1,655
Interest income	99	-	-	-	-	99
Total revenues	<u>152,964</u>	<u>936</u>	<u>719</u>	<u>-</u>	<u>-</u>	<u>154,619</u>
Expenditures:						
Public safety	-	-	-	-	2,400	2,400
Court	-	7,951	1,172	-	-	9,123
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>7,951</u>	<u>1,172</u>	<u>-</u>	<u>2,400</u>	<u>11,523</u>
Excess (deficiency) of revenues over (under) expenditures	152,964	(7,015)	(453)	-	(2,400)	143,096
Transfers:						
Transfers out	<u>(88,465)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,465)</u>
Total transfers	<u>(88,465)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,465)</u>
Net change in fund balance	64,499	(7,015)	(453)	-	(2,400)	54,631
Total fund balance - beginning	<u>247,118</u>	<u>14,864</u>	<u>8,376</u>	<u>114</u>	<u>3,315</u>	<u>273,787</u>
Total fund balance - ending	<u>\$ 311,617</u>	<u>\$ 7,849</u>	<u>\$ 7,923</u>	<u>\$ 114</u>	<u>\$ 915</u>	<u>\$ 328,418</u>

CITY OF ROLLINGWOOD, TEXAS

BALANCE SHEET  
COMPONENT UNIT

September 30, 2021

	Rollingwood Community Development Corporation
	<u>                    </u>
Assets:	
Cash and cash equivalents	\$ 334,133
Due from the City	<u>12,063</u>
Total assets	<u>\$ 346,196</u>
Liabilities:	
Accounts payable to other governments	<u>\$ 24,542</u>
Total liabilities	<u>24,542</u>
Net position:	
Unrestricted net position	<u>321,654</u>
Total net position	<u>321,654</u>
Total liabilities and net position	<u>\$ 346,196</u>

CITY OF ROLLINGWOOD, TEXAS

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

For the year ended September 30, 2021

	Rollingwood Community Development Corporation
	<u>                    </u>
Revenues:	
Sales taxes	\$ 152,853
Interest	<u>90</u>
Total revenues	<u>152,943</u>
Expenditures:	
Current:	
Contributions to the City	38,073
Administration	<u>103,259</u>
Total expenditures	<u>141,332</u>
Change in net position	11,611
Net position - beginning of year	<u>310,043</u>
Net position - end of year	<u><u>\$ 321,654</u></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, 2021, 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 9, 2022.

### **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.

## **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 9, 2022