

**CITY OF RIESEL, TEXAS  
BASIC FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
SEPTEMBER 30, 2020**

**WILLIAMGRIMSLEY**  
Certified Public Accountant

**CITY OF RIESEL, TEXAS  
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**WILLIAMGRIMSLEY**  
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of the City Council  
City of Riesel, Texas

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Riesel, Texas (the City) as of and for the year ended September 30, 2020, 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***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2020, 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 on pages 3-8, the budgetary comparison information on page 42, and the pension and OPEB schedules on pages 44 -47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated April 10, 2021, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



William A. Grimsley, CPA  
Gatesville, Texas  
April 10, 2021

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

CITY OF RIESEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Riesel's (the City) financial performance provides an overview and analysis of the City's financial activities for the year ended September 30, 2020. Please read it in conjunction with the Independent Auditors' Report on pages 1-2, and the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the year by \$8,361,944 net position). Of this amount \$4,664,369 is unrestricted and may be used to meet the City's future obligations.
- During the year, the City had total expenses of \$1,593,968 compared to revenues of \$1,720,380, resulting in an increase in its net position by \$126,412.
- The City's investment in capital assets totaled \$4,290,222 net of accumulated depreciation of \$2,610,175.
- Bonds payable of \$1,056,000 were reduced by principal payments of \$41,000 during the year.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide the 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 the City's assets, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether its financial health is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the 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 result in cash flows in future periods. This may include uncollected taxes and other revenue or expenses that are appropriate for the current year even though cash is not received or expended until the following year.

CITY OF RIESEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities include general government, judicial, law enforcement, and public works. The business-type activities include water, sewer, and sanitation.

The government-wide financial statements can be found on pages 9-10 of this report.

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

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported 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, as well as on spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains one governmental fund, the General Fund. The basic governmental fund financial statements can be found on pages 11-14 of this report.

**Proprietary Funds.** The only type of proprietary fund of the City is the Enterprise Fund. This fund is used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses the enterprise fund to account for the separate detail of its water and sewer funds.

The proprietary financial statements can be found on pages 15-17 of this report.

**Notes to the Financial Statements.** The notes provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements. These can be found starting on page 18.

CITY OF RIESEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position.** The City's assets exceed liabilities by \$8,361,944 as of September 30, 2020. A large portion (39%) of the City's net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. (See Table I).

**Table I  
NET POSITION**

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 4,328,528	\$ 4,213,653	\$ 2,214,339	\$ 2,138,503	\$ 6,542,867	\$ 6,352,156
Capital assets, net	683,239	662,888	3,606,983	3,692,198	4,290,222	4,355,086
Total assets	5,011,767	4,876,541	5,821,322	5,830,701	10,833,089	10,707,242
Deferred outflows of resources	37,207	28,155	6,681	5,258	43,888	33,413
Total deferred outflows of resources	37,207	28,155	6,681	5,258	43,888	33,413
Current liabilities	48,718	94,905	1,214,161	1,166,586	1,262,879	1,261,491
Noncurrent liabilities	136,539	159,506	1,080,520	1,084,125	1,217,059	1,243,631
Total liabilities	185,257	254,411	2,294,681	2,250,711	2,479,938	2,505,122
Deferred inflows of resources	29,753	-	5,342	-	35,095	-
Total deferred outflows of resources	29,753	-	5,342	-	35,095	-
Net position:						
Net investment in capital assets	683,239	662,888	2,550,983	2,595,198	3,234,222	3,258,086
Restricted for:						
Court funds	299,752	291,648	-	-	299,752	291,648
Public safety	4,435	4,435	-	-	4,435	4,435
Debt service	3,334	29,126	155,832	151,375	159,166	180,501
Unrestricted	3,843,204	3,662,188	821,165	838,675	4,664,369	4,500,863
Total net position	\$ 4,833,964	\$ 4,650,285	\$ 3,527,980	\$ 3,585,248	\$ 8,361,944	\$ 8,235,533

CITY OF RIESEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

A portion of the City's net position represents resources that are subject to external and internal restrictions and on how they may be used. The remaining balance of the unrestricted net position may be used to meet the City's ongoing obligations to its citizens.

**Changes in Net Position.** Revenues totaled \$1,720,380 for the year, a decrease of \$625,317 from the prior year. The legal settlement proceeds in the prior year and a decrease in fines were the primary cause of the decrease. Expenses totaled \$1,593,968 for the year, a decrease of \$218,769. This decrease was primarily the result of legal expenses related to the settlement, referred to previously, in the prior year. (See Table II)

**Table II  
CHANGES IN NET POSITION**

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for services	\$ 557,241	\$ 784,572	\$ 623,544	\$ 583,321	\$ 1,180,785	\$ 1,367,893
General Revenues:						
Property tax	213,143	213,084	-	-	213,143	213,084
Sales tax	124,377	105,469	-	-	124,377	105,469
Franchise and other taxes	55,208	56,135	-	-	55,208	56,135
Payment in lieu of taxes	125,000	125,000	-	-	125,000	125,000
Other income	13,116	465,309	8,751	12,807	21,867	478,116
Total revenues	1,088,085	1,749,569	632,295	596,128	1,720,380	2,345,697
Expenses:						
General government	228,674	382,811	-	-	228,674	382,811
Public safety	465,425	560,851	-	-	465,425	560,851
Public works	210,306	231,906	-	-	210,306	231,906
Interest	-	-	42,176	46,144	42,176	46,144
Transfers	-	-	-	-	-	-
Water and Sewer	-	-	647,387	591,025	647,387	591,025
Total Expenses	904,405	1,175,568	689,563	637,169	1,593,968	1,812,737
Change in position	183,680	574,001	(57,268)	(41,041)	126,412	532,960
Net position - beginning	4,650,284	4,076,284	3,585,248	3,626,289	8,235,532	7,702,573
Net position - ending	\$ 4,833,964	\$ 4,650,285	\$ 3,527,980	\$ 3,585,248	\$ 8,361,944	\$ 8,235,533

CITY OF RIESEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

The Governmental Accounting Standards Board (GASB) Statement 54 requires fund balances to be classified as follows:

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

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

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

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

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

As the City completed the year, its general fund (as presented in the balance sheet on page 11) reported a total fund balance of \$4,250,319 (an increase from prior year of \$150,756). This increase was due to the excess revenues over expenses.

**General Fund Budget Highlights.** Actual revenues were \$157,676 lower than the budget primarily from lower fines. Actual expenditures, net of appropriations were \$308,432 lower than the budget, reflecting a favorable variance of \$150,756 in excess revenues over expenditures. The budget is presented in the required supplemental information section on page 42.

CITY OF RIESEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At September 30, 2020, the City had invested \$4,290,222 in capital assets (net of accumulated depreciation of \$2,610,175). Major additions were ongoing utility system improvements, public safety and general government equipment and street improvements.

More detailed information about the City's capital assets is presented in the Notes to the Financial Statements starting on page 27.

**Debt**

At year-end, the City had \$1,056,000 in total bonds payable. This represents a decrease of \$41,000 from principal payments made during the year. More detailed information about the City's long-term debt is presented in the Notes to the Financial Statements starting on page 28.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City's officials considered many factors when setting the fiscal year 2021 budget and tax rates. Some of those factors include the economy and the anticipated needs of the City for operations and capital outlay in the next year.

The City adopted a \$1,267,250 general fund budget for fiscal year 2020-2021, reflecting a balanced budget. It will be funded primarily through property, sales and franchise taxes, and court fines.

If the City does not incur any unforeseen expenditures or reductions in revenue, the City's management is confident they will accomplish the task of providing improved services within its available resources.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City's business office at: City of Riesel, 104 Hwy 6 North, Riesel, Texas 76682.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF RIESEL, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2020**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,128,573	\$ 1,893,460	\$ 5,022,033
Investments	65,649	230,816	296,465
Accounts receivable	39,498	90,063	129,561
Inventories	-	-	-
Due from other funds	1,094,808	-	1,094,808
Capital assets, net of accumulated depreciation	683,239	3,606,983	4,290,222
<b>Total assets</b>	<b>5,011,767</b>	<b>5,821,322</b>	<b>10,833,089</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources pension related	34,101	6,124	40,225
Deferred outflows of resources OPEB related	3,106	557	3,663
<b>Total deferred outflows of resources</b>	<b>37,207</b>	<b>6,681</b>	<b>43,888</b>
<b>LIABILITIES</b>			
Accounts payable	47,531	30,702	78,233
Accrued expenses	1,187	208	1,395
Accrued interest	-	4,660	4,660
Customer deposits	-	83,784	83,784
Due to the state-sales tax overpayment	-	-	-
Due to other funds	-	1,094,807	1,094,807
Noncurrent liabilities			
Due within one year	-	41,000	41,000
Due in more than one year	136,539	1,039,520	1,176,059
<b>Total liabilities</b>	<b>185,257</b>	<b>2,294,681</b>	<b>2,479,938</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts	29,753	5,342	35,095
<b>Total deferred inflows of resources</b>	<b>29,753</b>	<b>5,342</b>	<b>35,095</b>
<b>NET POSITION</b>			
Net investment in capital assets	683,239	2,550,983	3,234,222
Restricted for:			
Debt service	3,334	155,832	159,166
Municipal court funds	299,752	-	299,752
Public safety	4,435	-	4,435
Unrestricted	3,843,204	821,165	4,664,369
<b>Total net position</b>	<b>\$ 4,833,964</b>	<b>\$ 3,527,980</b>	<b>\$ 8,361,944</b>

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

**CITY OF RIESEL, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2020**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Government</u>	<u>Total</u>
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 228,674	\$ 908	\$ -	\$ (227,766)	\$ -		\$ (227,766)
Public safety	465,425	556,333	-	90,908	-		90,908
Public works	210,306	-	-	(210,306)	-		(210,306)
Total governmental activities	<u>904,405</u>	<u>557,241</u>	<u>-</u>	<u>(347,164)</u>	<u>-</u>		<u>(347,164)</u>
Business-type activities:							
Water	533,916	490,583	-	-	(43,333)		(43,333)
Sewer	155,647	132,961	-	-	(22,686)		(22,686)
Total business-type activities	<u>689,563</u>	<u>623,544</u>	<u>-</u>	<u>-</u>	<u>(66,019)</u>		<u>(66,019)</u>
Total primary government	<u>\$ 1,593,968</u>	<u>\$ 1,180,785</u>	<u>\$ -</u>	<u>(347,164)</u>	<u>(66,019)</u>		<u>(413,183)</u>
General revenues:							
Property taxes				213,143	-		213,143
Sales tax				124,377	-		124,377
Franchise and other taxes				55,208	-		55,208
Interest earned				7,324	5,101		12,425
Other income				5,792	-		5,792
Payment in lieu of taxes				125,000	-		125,000
Gain on asset disposal				-	3,650		3,650
Total general revenues				<u>530,844</u>	<u>8,751</u>		<u>539,595</u>
Changes in position				183,680	(57,268)		126,412
Net position - beginning of year				<u>4,650,284</u>	<u>3,585,248</u>		<u>8,235,532</u>
Net position - end of year				<u>\$ 4,833,964</u>	<u>\$ 3,527,980</u>		<u>\$ 8,361,944</u>

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

**CITY OF RIESEL, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2020**

	<b>General</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>		
Cash	\$ 3,128,573	\$ 3,128,573
Investments	65,649	65,649
Receivables	39,498	39,498
Due from other funds	1,094,808	1,094,808
Total assets	\$ 4,328,528	\$ 4,328,528
<b>LIABILITIES</b>		
Accounts payable	\$ 47,531	\$ 47,531
Accrued expenses	1,187	1,187
Total liabilities	48,718	48,718
<b>DEFERRED INFLOW OF RESOURCES</b>		
Unavailable revenue:		
Property taxes	29,491	29,491
Total deferred inflow of resources	29,491	29,491
<b>FUND BALANCE</b>		
Restricted	307,521	307,521
Assigned	283,188	283,188
Unassigned	3,659,610	3,659,610
Total fund balance	4,250,319	4,250,319
Total liabilities, deferred inflow of resources and fund balance	\$ 4,328,528	\$ 4,328,528

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

**CITY OF RIESEL, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2020**

Total fund balance – governmental funds (page 11) \$ 4,250,319

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. These assets consist of:

Land	\$ 24,604	
Buildings and improvements	136,967	
Machinery and equipment	134,910	
Vehicles	194,421	
Infrastructure	706,938	
Accumulated depreciation	<u>(514,601)</u>	
Net Capital Assets		683,239

Some revenues in the governmental fund are recorded as deferred inflow of resources because they are not collected within the prescribed time period (60 days) after yearend, and are therefore unavailable resources. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected. 29,491

Certain pension and OPEB contributions and changes in pension plan net position are reported as deferred outflows and inflows of resources in the statement of net position, but are reported as expenses in the governmental funds. 7,454

Some assets and liabilities are not considered resources available or due in the current period and therefore are not reported in the governmental fund. These consist of:

Net pension liability	(117,134)	
OPEB liability	<u>(19,405)</u>	
Total		<u>(136,539)</u>

Net position of governmental activities (page 9) \$ 4,833,964

The accompanying notes are an integral part of the financial statements

**CITY OF RIESEL, TEXAS**  
**STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended**  
**September 30, 2020**

	<b>General</b>	<b>Total Governmental Funds</b>
<b>REVENUE</b>		
Property tax	\$ 202,837	\$ 202,837
Sales taxes	124,377	124,377
Franchise and other taxes	55,208	55,208
Fines	556,333	556,333
Payment in lieu of taxes	125,000	125,000
Charges for services	908	908
Interest earned	7,324	7,324
Other income	5,792	5,792
Total revenue	1,077,779	1,077,779
<b>EXPENDITURES</b>		
General government	193,056	193,056
Public safety	445,677	445,677
Public works	182,425	182,425
Capital outlays	105,865	105,865
Total expenditures	927,023	927,023
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	150,756	150,756
<b>FUND BALANCE, BEGINNING OF YEAR</b>	4,099,563	4,099,563
<b>FUND BALANCE, END OF YEAR</b>	\$ 4,250,319	\$ 4,250,319

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

**CITY OF RIESEL, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2020**

Net change in fund balances – total governmental funds (page 13)	\$ 150,756
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflow of resources in the governmental fund. This is the net change from the previous period.</p>	10,306
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	20,353
<p>Pension-related and other post employment benefit expenses do not require the use of current resources, and therefore are not reported in the fund statements. This is the amount by which pension related expenses exceeded current year contributions.</p>	<u>2,265</u>
Change in net position of governmental activities (page 10)	<u><u>\$ 183,680</u></u>

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

**CITY OF RIESEL, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended September 30, 2020**

	<b>Business-Type Activities-Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,385,670	\$ 507,790	\$ 1,893,460
Investments	165,078	65,738	230,816
Accounts receivable	79,197	10,866	90,063
Inventories	-	-	-
Capital assets, net of accumulated depreciation	3,063,789	543,194	3,606,983
<b>Total assets</b>	<b>4,693,734</b>	<b>1,127,588</b>	<b>5,821,322</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	3,123	3,001	6,124
Deferred outflows of resources related to other post employment benefits	284	273	557
<b>Total deferred outflows of resources</b>	<b>3,407</b>	<b>3,274</b>	<b>6,681</b>
<b>LIABILITIES</b>			
Accounts payable	28,819	1,883	30,702
Accrued expenses	104	104	208
Accrued interest	2,613	2,047	4,660
Customer deposits	55,856	27,928	83,784
Due to other funds	513,387	581,420	1,094,807
Noncurrent liabilities:			
Due within one year	20,000	21,000	41,000
Due in more than one year	628,003	411,517	1,039,520
<b>Total liabilities</b>	<b>1,248,782</b>	<b>1,045,899</b>	<b>2,294,681</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts	2,724	2,618	5,342
<b>Total deferred outflows of resources</b>	<b>2,724</b>	<b>2,618</b>	<b>5,342</b>
<b>NET POSITION</b>			
Net investment in capital assets	2,428,289	122,694	2,550,983
Restricted for:			
Debt service	76,438	79,394	155,832
Unrestricted	940,908	(119,743)	821,165
<b>Total net position</b>	<b>\$ 3,445,635</b>	<b>\$ 82,345</b>	<b>\$ 3,527,980</b>

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

**CITY OF RIESEL, TEXAS**  
**STATEMENT OF REVENUE, EXPENSES,**  
**AND CHANGES IN NET POSITION - PROPRIETARY FUND**  
**Year Ended September 30, 2020**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>OPERATING REVENUE</b>			
Charges for services:			
Water service	\$ 365,692	\$ -	\$ 365,692
Sewer service	-	130,961	130,961
Sanitation service	102,595	-	102,595
Reconnect and connection fees	15,000	2,000	17,000
Miscellaneous	7,296	-	7,296
Total Operating Revenue	<u>490,583</u>	<u>132,961</u>	<u>623,544</u>
<b>OPERATING EXPENSES</b>			
Salary, wages and payroll taxes	28,216	28,216	56,432
Employee benefits	7,781	6,839	14,620
Sanitation expense	96,353	-	96,353
Water purchased	72,471	-	72,471
Repairs and maintenance	25,788	39,984	65,772
Insurance	9,141	-	9,141
Utilities	21,665	10,619	32,284
Professional and technical expense	52,725	970	53,695
Supplies	13,167	4,829	17,996
Depreciation	164,067	47,704	211,771
Other	16,852	-	16,852
Total Operating Expenses	<u>508,226</u>	<u>139,161</u>	<u>647,387</u>
<b>OPERATING GAIN (LOSS)</b>	(17,643)	(6,200)	(23,843)
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Interest income	3,719	1,382	5,101
Gain or (loss) on disposal of assets	3,650	-	3,650
Interest expense	(25,690)	(16,486)	(42,176)
Total Non-operating Revenue (Expense)	<u>(18,321)</u>	<u>(15,104)</u>	<u>(33,425)</u>
<b>CHANGE IN NET POSITION</b>	(35,964)	(21,304)	(57,268)
Net Position - beginning of year	3,481,599	103,649	3,585,248
Net Position - end of year	<u>\$ 3,445,635</u>	<u>\$ 82,345</u>	<u>\$ 3,527,980</u>

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

**CITY OF RIESEL, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended September 30, 2020**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 497,456	\$ 135,035	\$ 632,491
Cash payments to suppliers	(317,357)	(63,020)	(380,377)
Cash payments to employees	(28,216)	(28,216)	(56,432)
Net Cash Provided by Operating Activities	<u>151,883</u>	<u>43,799</u>	<u>195,682</u>
<b>Cash Flows from Non-Capital Financing Activities</b>			
Increase in due to other funds	50,101	35,887	85,988
Net Cash (Used) by Non-Capital Financing Activities	<u>50,101</u>	<u>35,887</u>	<u>85,988</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(89,107)	(37,450)	(126,557)
Proceeds from sale of assets	3,650	-	<b>3,650</b>
Payments on long-term debt	(20,000)	(21,000)	(41,000)
Interest payments	(25,690)	(19,253)	<b>(44,943)</b>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(131,147)</u>	<u>(77,703)</u>	<u>(208,850)</u>
<b>Cash Flows from Investing Activities</b>			
Interest received	1,542	589	<b>2,131</b>
Net Cash Provided by Investing Activities	<u>1,542</u>	<u>589</u>	<u>2,131</u>
Net Increase in Cash and Cash Equivalents	72,379	2,572	74,951
Cash and cash equivalents - beginning of year	<u>1,313,291</u>	<u>505,218</u>	<u>1,818,509</u>
Cash and cash equivalents - end of year	<u>\$ 1,385,670</u>	<u>\$ 507,790</u>	<u>\$ 1,893,460</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating gain (loss)	\$ (17,643)	\$ (6,200)	\$ (23,843)
Adjustments to reconcile operating income / (loss) to net cash provided by operating activities:			
Depreciation expense	164,067	47,704	<b>211,771</b>
(Increase) decrease in accounts receivable	2,300	(212)	2,088
(Increase) decrease in pension deferrals	(525)	(404)	(929)
(Increase) decrease in other post employment benefits deferrals	(253)	(241)	(494)
Increase (decrease) in net pension liability	(2,037)	(2,452)	(4,489)
Increase (decrease) in other post employment benefits liability	476	406	882
Increase (decrease) in accounts payable and accrued liabilities	(1,799)	294	(1,505)
Increase (decrease) in customer deposits	4,573	2,286	6,859
Increase (decrease) in deferred inflow of resources	2,724	2,618	5,342
Total adjustments	<u>169,526</u>	<u>49,999</u>	<u>219,525</u>
Net Cash Provided by Operating Activities	<u>\$ 151,883</u>	<u>\$ 43,799</u>	<u>\$ 195,682</u>

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

# **NOTES TO THE FINANCIAL STATEMENTS**

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Riesel (the City) conform to generally accepted accounting principles (GAAP) in the United States of America, applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for established governmental accounting and financial reporting principles. The more significant of the City's policies are described below.

**A. REPORTING ENTITY**

The City is a general law city in McLennan County, Texas which operates under a council-mayor form of government and provides such services as public safety, street maintenance, water and sanitation, public improvements, planning and zoning, judicial, general administrative and other services as are authorized by its code of ordinances and its citizens.

In evaluating the City's financial reporting entity, management has considered all potential component units. The decision to include potential component units was made as set forth in GASB Statement No. 61. In accordance with this standard, a financial reporting entity consists of the primary government and its component units. Component units are legally separate entities for which the elected officials of the City are financially accountable, or the relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Although blended component units are legally separate entities, they function as a part of the government and have their data blended with the primary government. Any discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements.

The criteria used to determine whether an organization is a component unit of the City and whether it is discretely presented or blended includes: whether the City appoints a voting majority of the organizations board and has the ability to impose its will on the component unit, or a financial benefit or burden relationship exists, whether the component unit is fiscally dependent, whether the component unit has substantively the same governing body as the primary government or management of the primary government has operational responsibility for the activities of the component unit; and whether services are provided entirely or almost entirely to the primary government.

The City reports the following blended component units:

**Riesel Education Facilities Corporation (REFC)** is Texas non-profit corporation created to provide an avenue for financing to organizations for the construction of educational related projects. The bonds issued do not constitute a debt or a pledge of faith or credit by REFC or the City but are payable by the user pursuant to terms defined in the applicable loan agreement underlying each issue. Any potential debt issue has to be approved by the City Council. There was no activity to report for the year ended September 30, 2020.

**Riesel Cultural Facilities Corporation (RCFC)** is a Texas non-profit corporation created to provide an avenue for financing to organizations for the preservation, education and development of cultural facilities. The bonds issued do not constitute a debt or pledge of faith or credit by RCFC or the City but are payable by the user pursuant to terms defined in the applicable loan agreement underlying each issue. Any potential debt issue has to be approved by the City Council. There was no activity to report for the year ended September 30, 2020.

CITY OF RIESEL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. REPORTING ENTITY (Continued)**

**Riesel Health Facilities Development Corporation (RHFDC)** is a Texas non-profit corporation created to provide an avenue for financing to organizations for the maintenance and development of health facilities. The bonds issued do not constitute a debt or a pledge of faith or credit by the RHFDC or the City but are payable by the user pursuant to terms defined in the applicable loan agreement underlying each issue. Any potential debt issue has to be approved by the City Council. There was no activity to report for the year ended September 30, 2020.

**B. BASIS OF PRESENTATION**

*Government-Wide Financial Statements*

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the non-fiduciary activities of the City. As a general rule, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

*Fund Financial Statements*

Separate financial statements are provided for governmental funds and proprietary funds.

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

Water Fund-The water fund accounts for the activities of the water distribution system and solid waste collections

Sewer Fund-The sewer fund accounts for the activities of the sewage treatment plant, sewage stations and collection systems.

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

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. BASIS OF PRESENTATION (Continued)**

Proprietary funds distinguish *operating revenues* and expenses from *non-operating* items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING**

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

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

Sales taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other governmental fund revenues are considered to be measurable and available only when cash is received by the City. Property taxes receivable not determined to be available to finance current period obligations are recorded and deferred in the fund statements.

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

**D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

**a. Cash and Cash Equivalents**

The City's cash and cash equivalents for the purpose of the statements of net position and the statement of cash flows of the proprietary fund consist of cash on hand and money market accounts which are available for immediate withdrawal.

CITY OF RIESEL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (Continued)**

**b. Accounts Receivables**

Receivables include amounts due from customers for water, sewer and sanitation services in the proprietary fund. In the governmental funds, receivables include primarily property tax, sales tax, franchise fees and fines. All receivables are current and therefore due within one year. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”.

**c. Capital Assets**

Capital assets, which include land, buildings and improvements, machinery and equipment, infrastructure, and water and sewer facilities are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has elected not to report major general infrastructure assets retroactively as permitted by GASB Statement No. 34 for smaller governments. The City will report newly acquired or constructed general infrastructure assets in the statement of net position in the period they acquire or construct those assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Assets	Years
Buildings and improvements	10-20
Machinery and equipment	5-30
Water and sewer system	15-30
Infrastructure	15-30

**d. Restricted Assets**

Certain proceeds of the City’s enterprise fund bonds, as well as certain resources of the City are set aside primarily for the repayment of its notes and capital lease obligations and accordingly, are classified as restricted assets on the statement of net position because their use is limited by applicable covenants.

**e. Long-Term Debt**

In the government-wide financial statements and in the fund financial statements for proprietary fund types, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts received on debt issuances are also reported as other financing sources or uses. Issuance

CITY OF RIESEL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (Continued)**

costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

**f. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Pension and other post-employment benefits (OPEB) contributions after measurement date – These contributions are deferred and recognized in the following year.
- Difference in projected and actual earnings on pension and OPEB investments – The difference is deferred and amortized over a closed five-year period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Accordingly, the item, *unavailable revenue-property taxes*, is reported in the governmental funds balance sheet and other deferred amounts is reported in the statement of net position. These amounts are deferred and recognized as an inflow of resources in the periods the amounts become available.

**g. Estimates**

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

**h. Pensions and OPEB**

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

CITY OF RIESEL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (Continued)**

**i. Equity Classifications**

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

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

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

*Unrestricted* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

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

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

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

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

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

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

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

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

The City Council follows these procedures in establishing the budgetary data reflected in the required supplemental information:

Prior to the end of each fiscal year, the City Secretary submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data from the preceding year.

Public hearings are conducted to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage by majority vote of the City Council. The Council may authorize supplemental appropriations during the year.

The final amended budget is used in this report. Unused appropriations lapse at the end of the year unless carried forward to the next year by Council action. No encumbrances are recognized or recorded. The operating budget includes proposed expenditures for the General Fund. See Schedule of Revenues, Expenditures, and Changes In Fund Balance-Budget to Actual-General Fund on page 42.

**3. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank 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.

At September 30, 2020, the carrying amount of the City's cash deposits were \$5,022,033, and the bank balances were \$5,106,113.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds (8) investment pools,

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**A. DEPOSITS AND INVESTMENTS (Continued)**

**Legal and Contractual Provisions Governing Deposits and Investments**

(9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2020, the City’s investments were invested with a local bank. The City categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other observable inputs; and Level 3 inputs are unobservable inputs. As of September 30, 2020, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Input Level</u>
<u>Primary Government</u>			
Certificates of Deposit	\$ 296,465	\$ 296,465	1
Total investments	<u>\$ 296,465</u>	<u>\$ 296,465</u>	

**Policies Governing Deposits and Investments**

In compliance with the Public Funds Investments Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

**Custodial Credit Risk – Deposits:** This is the risk that in the event of bank failure, the City’s deposits may not be returned to it. The City’s deposits for the year were collateralized with pledged securities from the City’s depository bank.

**Custodial Credit Risk – Investments:** This 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. The City’s policy requires investments, other than investment pools, to be held by a third-party custodian bank. All of the City’s investments were held by the City’s third-party custodian bank in the City’s name.

**Interest Rate Risk:** In accordance with its investment policy, the City manages its exposure to declines in fair value by: a) structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, b) investing operating funds primarily in shorter-term securities, money market mutual funds or government investment pools, and c) diversifying maturities over time. It is the City’s policy not to invest in securities maturing more than three years from the date of purchase. Money market mutual funds must have a dollar weighted average stated maturity of 180 days or less. Finally, the composite portfolio must maintain a weighted average maturity of 365 days or less.

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**A. DEPOSITS AND INVESTMENTS (Continued)**

Other Credit Risk: In compliance with the City’s Investment Policy, as of September 30, 2020, the City minimized credit risk losses due to a default of a security issuer or backer, by limiting investments to the safest types of securities; limiting Certificates of Deposit that are insured by the Federal Deposit Insurance Corporation (FDIC); limiting the City’s investments to obligations issued, guaranteed, insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized.

A reconciliation of cash and investments, as shown in the Statement of Net Position for the City:

	<u>Primary Government</u>	<u>Total Reporting Entity</u>
Cash and investments (from previous pages)		
Carrying amount of deposits	\$ 5,022,033	\$ 5,022,033
Carrying amount of investments	296,465	296,465
Total	<u>\$ 5,318,498</u>	<u>\$ 5,318,498</u>
Statement of Net Position:		
Cash and cash equivalents	\$ 5,022,033	\$ 5,022,033
Investments	296,465	296,465
Total	<u>\$ 5,318,498</u>	<u>\$ 5,318,498</u>

**B. PROPERTY TAXES AND RECEIVABLES**

The City’s property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and business personal property located in the City. The assessed value at January 1, 2019, upon which the fiscal year 2020 levy was based, was \$67,535,214. The tax assessment of October 1, 2019 set a tax levy at \$.314510 per \$100 of assessed valuation at 100 percent of market value. Taxes are due by January 31 following the October 1 levy date, at which time a lien attaches to the property. Delinquent property taxes estimated to be collected within the next fiscal year are recognized as revenues in the government wide financial statements. At the fund level, delinquent property taxes estimated to be collected in time to be a resource and therefore subject to accrual, have been recognized as revenue with the remaining balance recorded as deferred inflows of resources.

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. CAPITAL ASSETS**

Changes in capital assets during the year ended September 30, 2020, were as follows:

	Balance October 1, 2019	Additions	Transfers/ Retirements	Balance September 30, 2020
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 24,604	\$ -	\$ -	\$ 24,604
Total capital assets not being depreciated	<u>24,604</u>	<u>-</u>	<u>-</u>	<u>24,604</u>
Capital assets being depreciated:				
Buildings and improvements	109,090	27,877	-	136,967
Machinery and equipment	110,412	24,498	-	134,910
Vehicles	140,932	53,489	-	194,421
Infrastructure	706,938	-	-	706,938
Total capital assets being depreciated	<u>1,067,372</u>	<u>105,864</u>	<u>-</u>	<u>1,173,236</u>
Less accumulated depreciation	<u>(429,087)</u>	<u>(85,514)</u>	<u>-</u>	<u>(514,601)</u>
Total capital assets being depreciated, net	<u>638,285</u>	<u>20,350</u>	<u>-</u>	<u>658,635</u>
Governmental activities capital assets, net	<u>\$ 662,889</u>	<u>\$ 20,350</u>	<u>\$ -</u>	<u>\$ 683,239</u>
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 125,247	\$ -	\$ -	\$ 125,247
Total capital assets not being depreciated	<u>125,247</u>	<u>-</u>	<u>-</u>	<u>125,247</u>
Capital assets being appreciated:				
Water & sewer system	4,918,249	30,038	-	4,948,287
Buildings and improvements	12,715	27,289	-	40,004
Machinery and equipment	519,789	69,230	-	589,019
Total capital assets being depreciated	<u>5,450,753</u>	<u>126,557</u>	<u>-</u>	<u>5,577,310</u>
Less accumulated depreciation	<u>(1,883,803)</u>	<u>(211,771)</u>	<u>-</u>	<u>(2,095,574)</u>
Total capital assets being depreciated, net	<u>3,566,950</u>	<u>(85,214)</u>	<u>-</u>	<u>3,481,736</u>
Business-type activities capital assets, net	<u>\$ 3,692,197</u>	<u>\$ (85,214)</u>	<u>\$ -</u>	<u>\$ 3,606,983</u>

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. CAPITAL ASSETS (Continued)**

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

Governmental activities:	
General government	\$ 37,882
Public safety	19,748
Public works	<u>27,884</u>
Total depreciation expense governmental activities	<u>\$ 85,514</u>
Business-type activities:	
Water fund	\$ 164,067
Sewer fund	<u>47,704</u>
Total depreciation expense business-type activities	<u>\$ 211,771</u>

**D. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances are utilized to account for payments made by one fund on behalf of another fund or deposits received by one fund on behalf of another fund. Following are the balances at September 30, 2020:

Funds	Due To	Due From
General Fund	\$ 1,094,808	\$ -
Water Fund	-	513,388
Sewer Fund	-	<u>581,420</u>
Total	<u>\$ 1,094,808</u>	<u>\$ 1,094,808</u>

Interfund balances consist of lending/borrowing arrangements that result from expenditures that are paid by one fund and then charged back to the appropriate other fund. Some lending borrowing may occur between two or more funds.

**E. LONG-TERM DEBT**

The following is a summary of long-term debt transactions for the year ended September 30, 2020:

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. DETAILED NOTES ON ALL FUNDS (Continued)**

***E. LONG-TERM DEBT (Continued)***

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Net pension liability	\$ 143,511	\$ -	\$(26,377)	\$ 117,134	\$ -
OPEB liability	15,995	3,410	-	19,405	-
Governmental activity long-term liabilities	<u>\$ 159,506</u>	<u>\$ 3,410</u>	<u>\$(26,377)</u>	<u>\$ 136,539</u>	<u>\$ -</u>
<b>Business - type activities:</b>					
Revenue Bond-Series 2009	\$ 558,000	\$ -	\$(10,000)	\$ 548,000	\$ 10,000
Certificates of Obligation-Series 1999	344,000	-	(11,000)	333,000	11,000
Certificates of Obligation-Series 2013	195,000	-	(20,000)	175,000	20,000
Net pension liability	25,524	-	(4,489)	21,035	-
OPEB liability	2,601	884	-	3,485	-
Business - type activity long-term liabilities	<u>\$ 1,125,125</u>	<u>\$ 884</u>	<u>\$(45,489)</u>	<u>\$ 1,080,520</u>	<u>\$ 41,000</u>

Long-term debt at September 30, 2020 is comprised of the following:

	Governmental Type Activities	Business- Type Activities
<b>Certificates of Obligation and Revenue Bonds:</b>		
\$637,000 water system Revenue Bonds Series 2009 due in annual installments of \$7,000 to \$31,000 through 2049; interest at 4.125%	\$ -	\$ 548,000
\$478,000 sewer system Certificate of Obligation Bonds, Series 1999 due in annual installments of \$2,000 to \$66,000 through 2039; interest at 4.75%	-	333,000
\$300,000 water and sewer system Certificate of Obligation Bonds, Series 2013 due in annual installments of \$15,000 to \$28,000 through 2028; interest at 2.990%	-	175,000
Total certificates of obligation and revenue bonds	<u>-</u>	<u>1,056,000</u>
Net pension liability	117,134	21,035
OPEB liability	19,405	3,485
Total primary government debt	<u>\$ 136,539</u>	<u>\$ 1,080,520</u>

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

***E. LONG-TERM DEBT (Continued)***

The annual debt service requirements to maturity for business-type activities are as follows:

Year Ended September 30,	Principal	Interest	Total
2021	\$ 41,000	\$ 43,449	\$ 84,449
2022	43,000	41,895	84,895
2023	43,000	40,274	83,274
2024	44,000	38,652	82,652
2025	45,000	35,962	80,962
2026-2030	219,000	157,163	376,163
2031-2035	180,000	117,030	297,030
2036-2040	198,000	72,693	270,693
2041-2045	125,000	37,640	162,640
2046-2050	118,000	9,941	127,941
Total	<u>\$ 1,056,000</u>	<u>\$ 594,699</u>	<u>\$ 1,650,699</u>

The general fund is responsible for liquidating the net pension liability for employees employed in the corresponding governmental funds.

The City's bond indentures contain restrictions concerning the maintenance of accounting records, interest and sinking funds and reserve funds in varying amounts. These amounts are included in the restricted balances on the accompanying balance sheet and statements of net position.

**4. OTHER INFORMATION**

***A. RISK MANAGEMENT***

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other governments in the State of Texas to form the Texas Municipal League Intergovernmental Risk Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for liability, property, and workmen's compensation coverage. The City pays a quarterly contribution to the Pool for its insurance coverage. The agreement for formation of the Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool coverage for any of the last three years.

***B. COMMITMENTS AND CONTINGENCIES***

***a. Water Purchase Agreement***

On May 16, 1991 the City entered into a long-term agreement to purchase water from RMS Water Supply Corporation (RMS), a related party (Note 4(C)). The agreement runs through May 16, 2031. Under the contract, the City may purchase up to 5,400,000 gallons of water per month. The contract

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**4. OTHER INFORMATION (CONTINUED)**

**B. COMMITMENTS AND CONTINGENCIES (Continued)**

has been amended several times through the years with a current rate of \$1.28 per thousand gallons of water used along with a fixed charge of \$2,986, due monthly.

Per a December 2008 land purchase contract to procure a site for a water well, it was stipulated that the City pay a royalty to the seller for the water produced and evidenced by a meter at a rate of \$0.15 per thousand gallons. This royalty is due monthly and shall be in effect for as long as the City produces water from the purchased property.

During the year ended September 30, 2020, the City paid \$72,471, including royalties, for purchased water.

**b. Litigation and Violations**

The City is a party to legal proceedings, many of which occur in the normal course of operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the city with respect to the various proceedings.

**c. Tax Abatement**

The City enters into ad valorem tax abatement agreements with businesses pursuant to its tax abatement policy and Texas Tax Code Chapter 311, Texas Tax Code Chapter 312, Texas Local Government Code Chapter 380 and Section 52-a of the State Constitution of Texas. Under its policy, the City may grant ad valorem tax abatements for the purpose of promotion of high quality commercial and industrial development in all parts of the City, and an ongoing improvement of the quality of life of its citizens.

For the fiscal year ended September 30, 2020, the City abated ad valorem taxes totaling \$31,451, as detailed below:

First Year of Abatement	Company	2019 Abated Value	Term of Abatement	Abatement Percentage	Commitment by Recipient
2013	Sandy Creek Energy Assoc., LP	\$ 9,999,847	10 years	35% to 98%	Construct new facility, create on average 100 jobs.

**d. Affiliated Corporations**

The City and its affiliated corporations (Riesel Cultural Facilities Corporations, Riesel Education Facilities Corporation and Riesel Health Facilities Development Corporation) participate in securing financing mechanisms for various organizations. The City and its affiliated corporations assist these various organizations in securing financing for their respective construction projects. The City and its affiliates are not obligated in any manner for the repayment of the notes payable secured by these organizations. Therefore, the City has not reported any liability in the financial statements for these loans. The City does receive a fee for participating in the conduit financing. The Corporations do not have any prepared financial statements and any conduit revenues received are reported in the General Fund as miscellaneous revenues. For the year ended September 30, 2020, there was no activity and

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**4. OTHER INFORMATION (Continued)**

no fees received. Additional information regarding these matters can be obtained from the City Secretary.

***C. RELATED PARTIES***

During the year ended September 30, 2020, the City conducted business with RMS Water Supply Corporation, a related party. RMS Water Supply Corporation was incorporated in 1987 as a Texas non-profit corporation for the purpose of providing water to the City and another area community. Each community appoints two members of the five-member board and a fifth member is selected at large. In addition to the contract water purchased as mentioned in Note 4(B)(a), the City performs administrative and operator services for RMS per a service agreement contract. The City received \$7,296 for services performed under the service agreement contract.

***D. PENSION PLAN***

**Plan Description**

The City of Riesel participates as one of the 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency defined pension plan administered in accordance with the TMRS act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member board of trustees. Although the Governor, with advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

TMRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**4. OTHER INFORMATION (Continued)**

**D. PENSION PLAN (Continued)**

Plan provisions for the City were as follows:

	Plan Year 2019	Plan Year 2018
Employee deposit rate	5.0%	5.0%
Matching ratio (City to Employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0.0%	0.0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

**Employees Covered by Benefit Terms**

At the December 31, 2019, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	7
<u>Active employees</u>	<u>8</u>
Total	17

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Riesel were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Riesel were 5.83% and 5.98% in calendar years 2019 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$19,534 and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**4. OTHER INFORMATION (Continued)**

**D. PENSION PLAN (Continued)**

*Actuarial Assumptions:*

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50% to 11.50% including inflation.
Investment rate of return	6.75%

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety tables used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-district 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 impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**4. OTHER INFORMATION (Continued)**

**D. PENSION PLAN (Continued)**

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

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

***Discount Rate***

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

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**4. OTHER INFORMATION (Continued)**

**D. PENSION PLAN (Continued)**

<i>Changes in Net Pension Liability</i>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 491,062	\$ 322,028	\$ 169,034
Changes for the year:			
Service cost	21,947	-	21,947
Interest	33,667	-	33,667
Change of benefit terms	-	-	-
Difference between expected and actual experience	5,745	-	5,745
Changes of assumptions	(3,013)	-	(3,013)
Contributions - employer	-	21,550	(21,550)
Contributions - employee	-	18,019	(18,019)
Net investment income	-	49,932	(49,932)
Benefit payments, including refunds of employee contributions	(6,518)	(6,518)	-
Administrative expense	-	(281)	281
Other changes	-	(9)	9
Net changes	51,828	82,693	(30,865)
Balance at 12/31/2019	\$ 542,890	\$ 404,721	\$ 138,169

**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	\$ 225,891	\$ 138,169	\$ 66,881

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2020, the City recognized pension expense of \$19,534.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**4. OTHER INFORMATION (Continued)**

**D. PENSION PLAN (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,592	\$ 2,940
Changes in actuarial assumptions	-	2,455
Differences between projected and actual investment earnings	17,492	29,375
Contributions subsequent to the measurement date	16,141	-
Total deferred outflows/inflows of resources, net	\$ 40,225	\$ 34,770

The \$16,141 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net Deferred Outflows/ (Inflows) of Resources
2020	\$ (2,317)
2021	(2,906)
2022	131
2023	(5,796)
2024	202
Thereafter	-
Total	<u>\$ (10,686)</u>

**E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Benefit Plan Description**

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single-employer, defined benefit OPEB plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**4. OTHER INFORMATION (Continued)**

***E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)***

**Contributions**

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

**Employees Covered by Benefit Terms**

At the December 31, 2019, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>8</u>
Total	12

**Total OPEB Liability**

The City's total OPEB liability of \$22,890 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**4. OTHER INFORMATION (Continued)**

**E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Summary of Actuarial Assumptions**

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate*	2.75%
Retiree's Share of Benefit-Related Costs	\$ -
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 both females. In addition, a 3.5% and a 3% minimum mortality rate will be applied to reflect the impairments 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, 2019.

Note: The actuarial Assumptions used in the December 31, 2019 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**

Total OPEB Liability-December 31, 2018	\$ 18,597
Changes for the year	
Service Cost	468
Interest on Total OPEB Liability	697
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(571)
Changes in Assumptions or Other Inputs	3,807
Benefit Payments	(108)
Net Changes	<u>4,293</u>
Total OPEB Liability-December 31, 2019	<u>\$ 22,890</u>

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**4. OTHER INFORMATION (Continued)**

**E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Sensitivity of the Total OPEB Liability to Change in the Discount Rate**

The following presents the Total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate:

	1% Decrease in Discount Rate (1.75%)	Current Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	\$ 28,194	\$ 22,890	\$ 18,885

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$575.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 325
Changes in assumptions and other inputs	3,166	-
Contributions made subsequent to measurement date	498	-
Total deferred outflow of resources, net	<u>3,664</u>	<u>325</u>

The \$498 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF RIESEL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2020**

**4. OTHER INFORMATION (Continued)**

**E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

	Net Deferred Outflows (Inflows) of Resources
2020	\$ 497
2021	497
2022	497
2023	497
2024	458
Thereafter	<u>395</u>
Total	<u>\$ 2,841</u>

**F. SUBSEQUENT EVENTS**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 10, 2021 the date the financial statements were available to be issued. No change to the financial statements for the fiscal year ended September 30, 2020 was deemed necessary as a result of this evaluation.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF RIESEL, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -**  
**GENERAL FUND**  
**For the Year Ended September 30, 2020**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUE</b>				
Property taxes	\$ 212,405	\$ 212,405	\$ 202,837	\$ (9,568)
Sales taxes	80,000	80,000	124,377	44,377
Franchise and other taxes	48,500	48,500	55,208	6,708
Fines & other law enforcement	759,000	759,000	562,125	(196,875)
Charges for services	3,050	3,050	908	(2,142)
Interest earned	7,500	7,500	7,324	(176)
Payment in lieu of taxes	125,000	125,000	125,000	-
Total Revenue	<u>1,235,455</u>	<u>1,235,455</u>	<u>1,077,779</u>	<u>(157,676)</u>
<b>EXPENDITURES</b>				
General government	243,047	238,047	193,056	44,991
Public safety	745,669	675,669	445,677	229,992
Public works	459,239	273,206	182,425	90,781
Capital outlays	-	261,033	105,865	155,168
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>1,447,955</u>	<u>1,447,955</u>	<u>927,023</u>	<u>520,932</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(212,500)	(212,500)	150,756	363,256
<b>OTHER FINANCING SOURCES (USES)</b>				
Contributions and grants	-	-	-	-
Fund appropriations	212,500	212,500	-	(212,500)
Other	-	-	-	-
Total other financing sources (uses)	<u>212,500</u>	<u>212,500</u>	<u>-</u>	<u>(212,500)</u>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,756</u>	<u>\$ 150,756</u>

The accompanying note is an integral part of the Required Supplementary Information.

**CITY OF RIESEL, TEXAS**  
**NOTE TO STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE – BUDGET TO ACTUAL – GENERAL FUND**  
**For the Year Ended September 30, 2020**

1. Basis of Presentation:

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

2. Budget Highlights:

Final budget compared to actual results reflects a variance of \$150,756 where actual expenses were lower than budgeted and actual revenues were lower than budgeted. The overall favorable budget variance was primarily attributable to lower capital outlays and the related appropriations, off-set partially by lower than budgeted fines. Various other components of revenue and expenses had an off-setting effect.

**CITY OF RIESEL, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - EMPLOYEES' PENSION PLAN**  
**Measurement Dates**

	<u>December 31 2014</u>	<u>December 31 2015</u>	<u>December 31 2016</u>	<u>December 31 2017</u>	<u>December 31 2018</u>	<u>December 31 2019</u>
<b>Total Pension Liability</b>						
Service cost	\$ 16,149	\$ 18,991	\$ 21,662	\$ 21,173	\$ 21,473	\$ 21,947
Interest (on the Total Pension Liability)	20,557	22,521	25,187	27,986	30,860	33,667
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	732	548	3,658	2,433	(4,458)	5,745
Change of assumptions	-	17,535	-	-	-	(3,013)
Benefit payments, including refunds of employee contributions	(8,325)	(13,291)	(5,743)	(11,828)	(6,518)	(6,518)
Net Change in Pension Liability	<u>29,113</u>	<u>46,304</u>	<u>44,764</u>	<u>39,764</u>	<u>41,357</u>	<u>51,828</u>
Total Pension Liability - Beginning	<u>289,760</u>	<u>318,873</u>	<u>365,177</u>	<u>409,941</u>	<u>449,705</u>	<u>491,062</u>
Total Pension Liability - Ending (a)	<u>\$ 318,873</u>	<u>\$ 365,177</u>	<u>\$ 409,941</u>	<u>\$ 449,705</u>	<u>\$ 491,062</u>	<u>\$ 542,890</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 13,696	\$ 15,850	\$ 17,848	\$ 22,204	\$ 21,433	\$ 21,550
Contributions - Employee	14,063	14,953	16,022	17,020	17,289	18,019
Net investment income	8,683	265	13,357	33,138	(8,973)	49,932
Benefit payments, including refunds of employee contributions	(8,325)	(13,291)	(5,743)	(11,828)	(6,518)	(6,518)
Administrative expense	(91)	(162)	(151)	(171)	(173)	(281)
Other	(7)	(7)	(8)	(9)	(10)	(9)
Net Change in Plan Fiduciary Net Position	<u>28,019</u>	<u>17,608</u>	<u>41,325</u>	<u>60,354</u>	<u>23,048</u>	<u>82,693</u>
Plan Fiduciary Net Position - Beginning	<u>151,674</u>	<u>179,693</u>	<u>197,301</u>	<u>238,626</u>	<u>298,980</u>	<u>322,028</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 179,693</u>	<u>\$ 197,301</u>	<u>\$ 238,626</u>	<u>\$ 298,980</u>	<u>\$ 322,028</u>	<u>\$ 404,721</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 139,180</u>	<u>\$ 167,876</u>	<u>\$ 171,315</u>	<u>\$ 150,725</u>	<u>\$ 169,034</u>	<u>\$ 138,169</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	56.35%	54.03%	58.21%	66.48%	65.58%	74.55%
Covered Employee Payroll	\$ 281,268	\$ 299,065	\$ 320,439	\$ 340,409	\$ 345,773	\$ 360,375
Net Pension Liability as a Percentage of Covered Employee Payroll	49.48%	56.13%	53.46%	44.28%	48.89%	38.34%

See accompanying Independent Auditors' Report.

**CITY OF RIESEL, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS - EMPLOYEES' PENSION PLAN**  
**Fiscal Years Ended**

	September 30 2015	September 30 2016	September 30 2017	September 30 2018	September 30 2019	September 30 2020
Actuarially determined contribution	\$ 15,203	\$ 17,991	\$ 21,358	\$ 21,985	\$ 21,365	\$ 19,534
Contributions in relation to the actuarially determined contribution	\$ 15,203	\$ 17,991	\$ 21,358	\$ 21,985	\$ 21,365	\$ 19,534
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 293,122	\$ 327,034	\$ 337,541	\$ 350,117	\$ 354,510	\$ 332,970
Contributions as a percentage of covered employee payroll	5.19%	5.50%	6.33%	6.28%	6.03%	5.87%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

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

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

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	N/A
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement PUB (10) mortality tables, with the Public Safety table used for males and the General Employees table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes There were no benefit changes during the year.

**CITY OF RIESEL, TEXAS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**Measurement Dates**

	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>
<b>Total OPEB liability</b>			
Service cost	\$ 511	\$ 622	\$ 468
Interest (on the Total OPEB Liability)	613	631	697
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	225	(571)
Change in assumptions or other inputs	1,729	(1,584)	3,807
Benefit payments**	(68)	(69)	(108)
Net Change in OPEB Liability	<u>2,785</u>	<u>(175)</u>	<u>4,293</u>
Total OPEB Liability - Beginning	<u>15,987</u>	<u>18,772</u>	<u>18,597</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 18,772</u></u>	<u><u>\$ 18,597</u></u>	<u><u>\$ 22,890</u></u>
Covered Employee Payroll	\$ 340,409	\$ 345,773	\$ 360,375
Total OPEB Liability as a Percentage of Covered Employee Payroll	5.51%	5.38%	6.35%

\* Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).

\*\* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

**CITY OF RIESEL, TEXAS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS-OPEB-SUPPLEMENTAL DEATH**  
**BENEFIT FUND**  
**Fiscal Years Ended**

	September 30, 2018	September 30, 2019	September 30, 2020
Actuarially determined contribution	\$ 625	\$ 524	\$ 575
Contributions in relation to the actuarially determined contribution	\$ 625	\$ 524	\$ 575
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 350,117	\$ 350,117	\$ 332,970
Contributions as a percentage of covered employee payroll	0.18%	0.15%	0.17%

**Notes to Schedule:**

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate*	2.75%
Retiree's Share of Benefit-Related Costs	\$ -
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 both females. In addition, a 3.5% and a 3% minimum mortality rate will be applied to reflect the impairments 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, 2019.

Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**COMPLIANCE/INTERNAL CONTROL**

# WILLIAMGRIMSLEY

CERTIFIED PUBLIC ACCOUNTANT

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

To the Honorable Mayor and Members of the City Council  
City of Riesel, Texas  
Riesel, TX

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Riesel, Texas, (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated April 10, 2021.

### **Internal Control Over Financial Reporting**

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

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 combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charge of governance.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in the internal control that I consider 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 of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



William A. Grimsley, CPA  
Gatesville, TX  
April 10, 2021