

**CITY OF RIESEL, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Paul J. Christensen & Associates, LLC
Certified Public Accountants
Waco, Texas

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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 Audit of the financial Statements

Opinions

We 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, as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the City of Riesel, Texas' basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-11, the budgetary comparison information on pages 42-43, and the pension and OPEB schedules on pages 44-48, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2023, on our consideration of the City of Riesel, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Riesel, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Riesel, Texas' internal control over financial reporting and compliance.



June 13, 2023
Waco, Texas

CITY OF RIESEL, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

As management of the City of Riesel, Texas (“City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City of Riesel, Texas for the fiscal year ended September 30, 2022. We encourage readers to read the information presented here in conjunction with the City’s financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,390,165 (*net position*). Of this amount, \$5,589,991 (*unrestricted net position*) may be used to meet the City’s ongoing obligations to its citizens and creditors.
- The City’s total net position increased by \$641,367. Of this amount, \$462,018 is attributable to governmental activities and \$27,120 is attributable to business-type activities. In addition, \$152,229 of capital contributions were made in 2022.
- Ending net position for governmental activities at September 30, 2022 was \$5,663,122 which consists of the following components: net investment in capital assets - \$555,787, restricted - \$311,384 and unrestricted - \$4,795,951. Ending net position for business-type activities at September 30, 2022 was \$5,727,043 which consists of the following components: net investment in capital assets - \$4,775,911, restricted - \$157,092 and unrestricted - \$794,040.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$5,245,978. The fund balance components are restricted - \$311,384, assigned - \$313,188 and unassigned - \$4,621,406. The City Council approves the amount reported as committed.

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 consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Basic Financial Statements

The first two statements (pages 13 and 14) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City’s financial status.

The next statements (pages 15 through 22) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary funds statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** is provided to show details about the City’s funding progress related to pension plans. Budgetary information required by state law can also be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City’s financial status as a whole.

The Statement of Net Position presents information on all of the City’s assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City’s operations during the

the difference between the total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, public works, and general administration. Taxes (property and sales), franchise fees and state and federal grant funds finance most of these activities. The business-type activities are those that the City provides at a charge to customers. These include the water, sewer, and sanitation services offered by the City.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. 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 all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the City budget ordinance. 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 those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year.

Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view in determining if there are more or less financial resources available to finance the City's programs.

The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements. The city maintains one governmental fund, the General Fund.

Budgeting-Governmental Funds – The City adopts an annual budget for its General Fund, as required by state law. The budget is a legally adopted document that incorporates input from the citizens of the City, management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance current period activities. The budgetary schedule presented for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted.

The budgetary comparison schedule (page 42) was prepared on the *modified cash basis* of accounting, which is the method of accounting used by the City in preparing the budget. The actual results have been adjusted to the *modified cash basis* of accounting in order to give a more relevant comparison of budget to actual results. The schedule shows four columns: 1) the original budget as adopted by the City Council; 2) the final budget as amended by the City Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Information regarding the reconciliation of actual results to the *modified cash basis* can be found in the *notes to required supplementary information* found on page 49.

Proprietary Funds – the City has two proprietary (enterprise) funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer funds. These funds are the same as those functions shown in the business-type activities in the Statement of Net position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 40 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City’s progress in funding its obligation to provide pension benefits to its employees. Additionally, budgetary comparison information is found in this section. Required supplementary information can be found on pages 42 through 48 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial condition. The City’s combined net position was \$11,390,165 as of September 30, 2022. This analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City’s governmental and business-type activities.

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 5,345,922	\$ 4,827,285	\$ 8,465,441	\$ 7,866,352	\$ 13,811,363	\$ 12,693,637
Capital assets (net)	<u>555,787</u>	<u>594,314</u>	<u>5,747,911</u>	<u>6,031,254</u>	<u>6,303,698</u>	<u>6,625,568</u>
Total assets	5,901,709	5,421,599	14,213,352	13,897,606	20,115,061	19,319,205
Deferred outflows of resources	27,943	31,695	3,480	5,904	31,423	37,599
Short-term liabilities	99,943	97,809	2,369,079	1,952,056	2,469,022	2,049,865
Long-term liabilities	<u>127,817</u>	<u>130,411</u>	<u>6,115,882</u>	<u>6,399,294</u>	<u>6,243,699</u>	<u>6,529,705</u>
Total liabilities	227,760	228,220	8,484,961	8,351,350	8,712,721	8,579,570
Deferred inflows of resources	38,770	23,970	4,828	4,466	43,598	28,436
Net position:						
Net investment in capital assets	555,787	594,314	4,775,911	5,016,254	5,331,698	5,610,568
Restricted	311,384	308,817	157,092	150,231	468,476	459,048
Unrestricted	<u>4,795,951</u>	<u>4,297,973</u>	<u>794,040</u>	<u>381,209</u>	<u>5,589,991</u>	<u>4,679,182</u>
Total net position	<u>\$ 5,663,122</u>	<u>\$ 5,201,104</u>	<u>\$ 5,727,043</u>	<u>\$ 5,547,694</u>	<u>\$ 11,390,165</u>	<u>\$ 10,748,798</u>

The portion of the City’s net position (\$5,331,698 or 47%) reflects its net investment in capital assets (e.g., land, buildings, equipment, and improvements) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (\$468,476, or 4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,589,991, or 49%) may be used to meet the government’s ongoing obligations to citizens and creditors.

Table 2
Changes in Net Position

	2022			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 897,578	\$ 703,860	\$ 1,601,438	\$ 671,075	\$ 606,418	\$ 1,277,493
General revenues:						
Property taxes	222,707	-	222,707	198,208	-	198,208
Sales taxes	132,151	-	132,151	125,410	-	125,410
Franchise taxes	56,982	-	56,982	40,183	-	40,183
Payment in lieu of taxes	125,000	-	125,000	125,000	-	125,000
Contributions and grants	128,985	4,020	133,005	186,282	106,000	292,282
Other revenue	3,926	87,616	91,542	15,170	13,375	28,545
Total revenues	1,567,329	795,496	2,362,825	1,361,328	725,793	2,087,121
Expenses:						
Administration	295,959	-	295,959	288,413	-	288,413
Public safety	247,063	-	247,063	214,831	-	214,831
Municipal court	381,355	-	381,355	306,168	-	306,168
Public works	180,934	-	180,934	184,776	-	184,776
Interest	-	25,463	25,463	-	46,777	46,777
Water and sewer	-	742,913	742,913	-	896,709	896,709
Total expenses	1,105,311	768,376	1,873,687	994,188	943,486	1,937,674
Increase in net position	462,018	27,120	489,138	367,140	(217,693)	149,447
Capital contribution	-	152,229	152,229	-	2,237,407	2,237,407
Net position, beginning of year	5,201,104	5,547,694	10,748,798	4,833,964	3,527,980	8,361,944
Net position, end of year	\$ 5,663,122	\$ 5,727,043	\$11,390,165	\$ 5,201,104	\$ 5,547,694	\$10,748,798

Governmental activities

Governmental activities increased the City's net position by \$462,018 accounting for the majority of the total growth in the government's net position. The key elements of this increase are discussed below.

The City's total revenues of its governmental activities increased from \$1,361,328 to \$1,567,329, an increase of \$206,001. Property tax revenues increased by approximately \$25,000 as a result of an increase in appraised property values. Sales tax revenues increased by approximately \$7,000 as well. Additionally, charges for services increased by approximately \$226,000 due to increased municipal court fines and fees.

Total expenses of the City's governmental activities increased from \$994,188 to \$1,105,311, an increase of \$111,123. Administration expenses increased by approximately \$8,000 due to increased engineering costs. Public safety expenses increased by approximately \$32,000. Additionally, Municipal court expenses increased by approximately \$75,000 primarily due to an increase in court fees.

Business-type activities

Business-type activities increased the City's net position by \$27,120 during fiscal year 2022. The key elements of this increase are discussed below.

The City's total revenues of its business-type activities increased from \$725,793 to \$795,496, an increase of \$69,703. Charges for services were higher by approximately \$97,000 due to increased water sales.

Total expenses of the City's business-type activities slightly decreased from \$943,486 to \$768,376, a decrease of \$175,110 due to water treatment plant operations for production of the City's own water supply for the year.

General Fund Budget Analysis

The City prepares its budget on the *modified cash basis* of accounting, which is a method of accounting other than that prescribed by generally accepted accounting principles (GAAP). In order to present a more accurate comparison of budget to actual results, the actual results from the operation of the general fund have been adjusted to the *modified cash basis* of accounting.

For the fiscal year ended September 30, 2022, the City's revenue and other financing sources exceeded expenditures and other financing uses by \$516,803; revenues and other financing sources were \$27,541 more than budget; expenditures and other financing uses were \$488,962 less than budget.

Significant budget variances are as follows:

Revenues:

General Sales and Use Taxes	\$40,660 <i>positive variance</i>
Fines	\$214,809 <i>positive variance</i>
Investment Earnings	\$14,074 <i>negative variance</i>

Expenditures:

Administration	\$21,029 <i>positive variance</i>
Judicial	\$109,510 <i>negative variance</i>
Public Works	\$77,677 <i>positive variance</i>
Capital Outlay	\$505,897 <i>positive variance</i>

Capital Assets

As of September 30, 2022, the City had \$6,303,696 invested in a broad range of capital assets including buildings, roads, bridges, park facilities, vehicles and water and sewer lines (Table 3). This amount represents a net decrease of \$321,872 from the prior fiscal year. Additional information on the City's capital assets can be found in Note 3(D) of the Basic Financial Statements.

Table 3
Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 24,604	\$ 24,604	\$ 125,247	\$ 125,247	\$ 149,851	\$ 149,851
Construction in progress	-	-	127,776	106,000	127,776	106,000
Buildings and improvements	137,890	137,890	40,926	40,926	178,816	178,816
Machinery and equipment	134,910	134,910	592,286	582,879	727,196	717,789
Vehicles	198,941	198,941	-	-	198,941	198,941
Infrastructure	752,358	706,938	-	-	752,358	706,938
Water and sewer system	-	-	4,958,461	4,958,461	4,958,461	4,958,461
RMS water system	-	-	2,559,712	2,559,712	2,559,712	2,559,712
Total at historical cost	1,248,703	1,203,283	8,404,408	8,373,225	9,653,111	9,576,508
Accumulated depreciation	(692,916)	(608,969)	(2,656,499)	(2,341,971)	(3,349,415)	(2,950,940)
Net capital assets	\$ 555,787	\$ 594,314	\$ 5,747,909	\$ 6,031,254	\$ 6,303,696	\$ 6,625,568

Capital Assets (continued)

Major capital asset transactions during the year include the following additions:

Governmental Activities

- Park – \$45,420

Business-type Activities

- Construction in Progress – \$21,776
- Sewer – \$9,407

Debt

As of September 30, 2022, the City had total long-term liabilities outstanding of \$6,356,379, representing bonds and loans secured by system revenues (i.e. revenue bonds and loans) and tax revenues. Long-term debt is as follows:

**Table 4
Outstanding Debt at Fiscal Year-end**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue Bonds	\$ -	\$ -	\$ 527,000	\$ 538,000	\$ 527,000	\$ 538,000
Certificates of obligation	-	-	5,805,000	5,837,000	5,805,000	5,837,000
Notes payable	24,379	-	-	-	24,379	-
	<u>\$ 24,379</u>	<u>\$ -</u>	<u>\$6,332,000</u>	<u>\$6,375,000</u>	<u>\$6,356,379</u>	<u>\$6,375,000</u>

Economic Factors

The City’s population, per the 2020 census, was 1,062, and its population does not vary significantly from year to year. Without including contributions and grant revenues, which are unrelated to the City population, the total revenues for fiscal year 2022 increased by 21% (approximately \$434,981). It is anticipated that this trend (modest annual increases) will continue for fiscal year 2023. If the city does not incur any unforeseen expenditures or reductions in revenue, the task of providing improved services with available resources will be accomplished.

Requests for Information

This report is designed to provide an overview of the City of Riesel, Texas’ finances for those with an interest therein. Questions concerning any of the information found in this report or requests for additional information should be directed 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, 2022

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 3,645,280	\$ 2,640,503	\$ 6,285,783
Investments	66,239	235,076	301,315
Accounts Receivable	20,466	98,568	119,034
Due from Other Funds	1,613,937	-	1,613,937
Restricted Cash: TWDB escrow accounts	-	5,491,294	5,491,294
Capital Assets, net of accumulated depreciation	555,787	5,747,911	6,303,698
Total Assets	<u>5,901,709</u>	<u>14,213,352</u>	<u>20,115,061</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to TMRS	22,530	2,806	25,336
Deferred Outflows Related to TMRS OPEB	5,413	674	6,087
Total Deferred Outflows of Resource	<u>27,943</u>	<u>3,480</u>	<u>31,423</u>
LIABILITIES			
Accounts Payable	98,439	28,482	126,921
Wages and Salaries Payable	1,504	631	2,135
Customer Deposits	-	100,215	100,215
Due to Water/Sewer Fund	-	1,613,937	1,613,937
Unearned revenue - TWDB loan forgiveness grant	-	389,980	389,980
Interest Payable	-	6,834	6,834
Noncurrent liabilities			
Bonds & Other Debt-Due Within One Year	-	229,000	229,000
Bonds and Other Debt-Due in More Than One Year	24,379	6,103,000	6,127,379
Net Pension Liability Related to TMRS	78,020	9,716	87,736
Net OPEB Liability Related to TMRS	25,418	3,166	28,584
Total Liabilities	<u>227,760</u>	<u>8,484,961</u>	<u>8,712,721</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to TMRS	37,694	4,694	42,388
Deferred Inflows Related to TMRS OPEB	1,076	134	1,210
Total Deferred Inflows of Resources	<u>38,770</u>	<u>4,828</u>	<u>43,598</u>
NET POSITION			
Net Investment in Capital Assets	555,787	4,775,911	5,331,698
Restricted for:			
Debt Service	215	157,092	157,307
Public Safety	4,435	-	4,435
Judicial	306,734	-	306,734
Unrestricted Net Position	4,795,951	794,040	5,589,991
Total Net Position	<u>\$ 5,663,122</u>	<u>\$ 5,727,043</u>	<u>\$ 11,390,165</u>

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

CITY OF RIESEL, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Expenses	Program Revenues		Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:						
GOVERNMENTAL ACTIVITIES						
Administration	\$ 295,959	\$ 13,175	\$ 128,985	\$ (153,799)	\$ -	\$ (153,799)
Court	381,355	-	-	(381,355)	-	(381,355)
Public Safety	247,063	884,403	-	637,340	-	637,340
Public Works	180,934	-	-	(180,934)	-	(180,934)
Total Governmental Activities	<u>1,105,311</u>	<u>897,578</u>	<u>128,985</u>	<u>(78,748)</u>	<u>-</u>	<u>(78,748)</u>
BUSINESS-TYPE ACTIVITIES:						
Sewer Fund	142,388	138,024	-	-	(4,364)	(4,364)
Water Fund	625,988	628,682	4,020	-	6,714	6,714
Total Business-Type Activities	<u>768,376</u>	<u>766,706</u>	<u>4,020</u>	<u>-</u>	<u>2,350</u>	<u>2,350</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,873,687</u>	<u>\$ 1,664,284</u>	<u>\$ 133,005</u>			
General Revenues						
Property Taxes				222,707	-	222,707
Sales Taxes				132,151	-	132,151
Franchise and Other Taxes				56,982	-	56,982
Investment Earnings				3,926	24,770	28,696
Miscellaneous Revenue				-	-	-
Payment in lieu of Taxes				125,000	-	125,000
Total General Revenues and Transfers				<u>540,766</u>	<u>24,770</u>	<u>565,536</u>
Change in Net Position				<u>462,018</u>	<u>27,120</u>	<u>489,138</u>
Capital Contribution				-	152,229	152,229
Net Position-October 1 (Beginning)				5,201,104	5,547,694	10,748,798
Net Position-September 30 (Ending)				<u>\$ 5,663,122</u>	<u>\$ 5,727,043</u>	<u>\$ 11,390,165</u>

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

CITY OF RIESEL, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 3,645,280	\$ 3,645,280
Investments	66,239	66,239
Accounts Receivable	20,466	20,466
Due from Other Funds	1,613,937	1,613,937
Total Assets	\$ 5,345,922	\$ 5,345,922
LIABILITIES		
Accounts Payable	\$ 98,439	\$ 98,439
Payroll Taxes and Other Withholdings	1,505	1,505
Total Liabilities	99,944	99,944
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue-Property Taxes	-	-
Total Deferred Inflow of Resources	-	-
FUND BALANCES		
Restricted Fund Balances:		
Debt Service	215	215
Public Safety	4,435	4,435
Judicial	306,734	306,734
Assigned Fund Balance	313,188	313,188
Unassigned Fund Balance	4,621,406	4,621,406
Total Fund Balances	5,245,978	5,245,978
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,345,922	\$ 5,345,922

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

CITY OF RIESEL, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
SEPTEMBER 30, 2022

Total Fund Balances - Governmental Funds \$ 5,245,978

Capital assets used in governmental activities are not financial resources, therefore are not reported in the governmental funds balance sheet. These assets consist of:

Land	\$ 24,604	
Buildings and improvements	137,891	
Machinery and equipment	134,910	
Vehicles	198,941	
Infrastructure	752,358	
Accumulated Depreciation	(692,916)	
Net Capital Assets	555,788	555,788

Assets, deferred outflows, liabilities and deferred inflows related to pensions and other post-employment benefits are not reported in the governmental funds. These consist of:

Bonds and Other Debt-Due in More Than One Year	(24,379)	
Deferred Outflows of Resources Related to TMRS	22,530	
Deferred Outflows of Resources Related to TMRS OPEB	5,413	
Net Pension Liability Related to TMRS	(78,020)	
Net OPEB Liability Related to TMRS	(25,418)	
Deferred Inflows of Resources Related to TMRS	(37,694)	
Deferred Inflows of Resources Related to TMRS OPEB	(1,076)	(138,644)

Net Position of Governmental Activities \$ 5,663,122

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

CITY OF RIESEL, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Total Governmental Funds
REVENUES:		
Taxes:		
Property Taxes	\$ 222,707	\$ 222,707
General Sales and Use Taxes	156,530	156,530
Franchise and Other Tax	56,982	56,982
Payment in lieu of Taxes	125,000	125,000
Grant Income	128,985	128,985
Charges for Services	13,175	13,175
Fines	884,403	884,403
Investment Earnings	3,926	3,926
Total Revenues	<u>1,591,708</u>	<u>1,591,708</u>
EXPENDITURES:		
Current:		
General Government:		
Administration	214,087	214,087
Judicial	382,229	382,229
Public Safety	251,417	251,417
Public Works	182,052	182,052
Capital Outlay:		
Capital Outlay	45,420	45,420
Total Expenditures	<u>1,075,205</u>	<u>1,075,205</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>516,503</u>	<u>516,503</u>
Net Change in Fund Balances	516,503	516,503
Fund Balance - October 1 (Beginning)	4,729,475	4,729,475
Fund Balance - September 30 (Ending)	<u>\$ 5,245,978</u>	<u>\$ 5,245,978</u>

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

CITY OF RIESEL, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

Total Net Change in Fund Balances - Governmental Funds **\$ 516,503**

Amounts reported for governmental activities in the statement of activities differ as the result of the following:

Governmental funds report capital outlays as expenditures. 45,420

However, in the government-wide statement of activities the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.

The issuance of long-term debt (i.e., bonds, certificates of (24,379)

obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Depreciation expense on capital assets is reported in the (83,947)

government-wide statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.

GASB 68 required that certain pension plan expenditures be 8,421

de-expended as recorded as deferred resource outflows. Similarly, GASB 75 required that certain other post-employment benefits be de-expended and recorded as deferred resource outflows. The net effect of for both GASB 68 and GASB 75 related pension and OPEB expenses is an increase (decrease) in the change in net position.

Change in Net Position of Governmental Activities **\$ 462,018**

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

CITY OF RIESEL, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	Sewer Fund	Water Fund	Total Enterprise Funds
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 754,221	\$ 1,886,282	\$ 2,640,503
Investments	66,729	168,347	235,076
Accounts Receivable	11,645	86,923	98,568
Restricted cash - TWDB escrowed funds	-	5,491,294	5,491,294
Total Current Assets	832,595	7,632,846	8,465,441
Noncurrent Assets			
Restricted Assets-Noncurrent			
Cash and Cash Equivalents			
Capital Assets			
Land	103,694	21,553	125,247
Buildings	27,115	13,812	40,927
Machinery and Equipment	257,712	334,574	592,286
Infrastructure	785,944	6,860,006	7,645,950
Accumulated Depreciation-Capital Assets	(711,509)	(1,944,990)	(2,656,499)
Total Noncurrent Assets	462,956	5,284,955	5,747,911
Total Assets	1,295,551	12,917,801	14,213,352
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to TMRS	1,403	1,403	2,806
Deferred Outflows Related to TMRS OPEB	337	337	674
Total Deferred Outflows of Resources	1,740	1,740	3,480
LIABILITIES			
Current Liabilities:			
Accounts Payable	7,903	20,579	28,482
Wages and Salaries Payable	145	486	631
Customer Deposits	33,584	66,631	100,215
Due to Water/Sewer Fund	801,005	812,932	1,613,937
Unearned revenue - TWDB loan forgiveness grant	-	389,980	389,980
Interest Payable	2,430	4,404	6,834
Bonds Payable-Current	23,000	206,000	229,000
Total Current Liabilities	868,067	1,501,012	2,369,079
Noncurrent Liabilities:			
Bonds Payable-Noncurrent	354,500	573,500	928,000
TWDB Loan	-	5,175,000	5,175,000
Net Pension Liability Related to TMRS	4,976	4,740	9,716
Net OPEB Liability Related to TMRS	1,594	1,572	3,166
Total Noncurrent Liabilities	361,070	5,754,812	6,115,882
Total Liabilities	1,229,137	7,255,824	8,484,961
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to TMRS	2,347	2,347	4,694
Deferred Inflows Related to TMRS OPEB	67	67	134
Total Deferred Inflows of Resources	2,414	2,414	4,828
NET POSITION			
Net Investment in Capital Assets	85,456	4,690,455	4,775,911
Restricted for Debt Service	76,453	80,639	157,092
Unrestricted Net Position	(96,169)	890,209	794,040
Total Net Position	\$ 65,740	\$ 5,661,303	\$ 5,727,043

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

CITY OF RIESEL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Sewer Fund	Water Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Water Services	\$ -	\$ 446,153	\$ 446,153
Charges for Sewerage Services	136,024	-	136,024
Charges for Sanitation Services	-	117,683	117,683
Charges for Other Services	-	4,000	4,000
Other Revenue	2,000	60,846	62,846
Total Revenues	138,024	628,682	766,706
OPERATING EXPENSES:			
Personnel Services-Salaries, Wages and Taxes	24,458	24,348	48,806
Personnel Services-Employee Benefits	(1,694)	(1,780)	(3,474)
Purchased Professional & Technical Services	-	48,395	48,395
Sanitation Expense	-	111,326	111,326
Water Purchased	-	8,183	8,183
Insurance	4,981	4,928	9,909
Utilities	11,075	70,905	81,980
Other Operating Expenses	-	15,367	15,367
Repairs and Maintenance	34,418	31,174	65,592
Supplies	4,078	38,223	42,301
Depreciation	50,014	264,514	314,528
Total Operating Expenses	127,330	615,583	742,913
Operating Income (Loss)	10,694	13,099	23,793
NON-OPERATING REVENUES AND (EXPENSES):			
Investment Earnings	1,117	23,653	24,770
Grant Income	-	4,020	4,020
Interest Expense	(15,058)	(10,405)	(25,463)
Total Non-Operating Revenue (Expenses)	(13,941)	17,268	3,327
Income Before Contributions and Transfers	(3,247)	30,367	27,120
Capital Contributions	-	152,229	152,229
Change in Net Position	(3,247)	182,596	179,349
NET POSITION			
Net Position - October 1 (Beginning)	68,987	5,478,707	5,547,694
Net Position - September 30 (Ending)	\$ 65,740	\$ 5,661,303	\$ 5,727,043

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

CITY OF RIESEL, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-type Activities		
	Sewer Fund	Water Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 140,027	\$ 621,190	\$ 761,217
Cash Received from Investments	1,117	23,653	24,770
Cash Received from Grants	-	4,020	4,020
Cash Payments to Employees for Services	(27,896)	(27,617)	(55,513)
Cash Payments for Suppliers	(49,524)	(333,499)	(383,023)
Cash Payments for Interest on Note Payables	(17,611)	(9,009)	(26,620)
Net Cash Provided by Operating Activities	46,113	278,738	324,851
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Increase in due to other funds	185,842	1,227	187,069
Net Cash Provided by (Used for) Non-Capital Financing Activities	185,842	1,227	187,069
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Acquisition of Capital Assets	(9,407)	(21,776)	(31,183)
Net Cash Provided by (Used for) Capital & Related Financing Activities	(9,407)	(21,776)	(31,183)
<u>Cash Flows from Investing Activities:</u>			
Principal payments/retirements of Long-term Debt	(22,000)	(21,000)	(43,000)
Capital Contributions	-	152,229	152,229
Net Cash Provided by Investing Activities	(22,000)	131,229	109,229
Net Increase (Decrease) in Cash and Cash Equivalents	200,548	389,418	589,966
Cash and Cash Equivalents at Beginning of the Year	620,402	7,156,505	7,776,907
Cash and Cash Equivalents at End of the Year	\$ 820,950	\$ 7,545,923	\$ 8,366,873
Reconciliation of Total Cash and Cash Equivalents to the Statement of Net Position:			
Unrestricted Cash and Cash Equivalents	\$ 820,950	\$ 2,054,629	\$ 2,875,579
Restricted Cash and Cash Equivalents	-	5,491,294	5,491,294
Total Cash and Cash Equivalents	\$ 820,950	\$ 7,545,923	\$ 8,366,873

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

CITY OF RIESEL, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-type Activities		
	Sewer Fund	Water Fund	Total Enterprise Funds
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income(Loss)	\$ (3,247)	\$ 30,365	\$ 27,118
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	50,014	264,514	314,528
Changes in Assets and Liabilities:			
Decrease (Increase) in assets:			
Accounts Receivable Due to/from	(710)	(8,413)	(9,123)
Deferred Outflows	1,212	1,212	2,424
Increase (Decrease) in liabilities:			
Due to/from	-	-	
Accounts Payable	5,028	(4,995)	33
Wages and Salaries Payable	(948)	(607)	(1,555)
Interest Payable	(2,553)	1,396	
Customer Deposits	2,713	4,890	7,603
Unearned revenue		(4,020)	
Trash - Sales Tax Payable		51	
Net Pension Liability	(5,081)	(5,316)	(10,397)
Net OPEB Liability	(496)	(519)	(1,015)
Deferred Inflows	181	181	362
Total Changes in Assets and Liabilities	(654)	(16,140)	(11,668)
Net Cash Provided by (Used in) Operating Activities	\$ 46,113	\$ 278,739	\$ 329,978

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

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Riesel, Texas (the “City”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) applicable to state and local governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

A. Reporting Entity

The City is a general law city in McLennan County, Texas which operates under an elected mayor and a five-member council and provides services such 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. The City was incorporated in November 1973. The Council consists of five members and the Mayor, each of which are elected for two-year terms.

As required by GAAP, these financial statements present the City and any component units, entities for which the City is considered to be financially accountable, as set forth in GASB Statement No. 61. A component unit is included in the City’s reporting entity if it is both fiscally dependent on the City (the primary government) and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Based on these criteria, the financial information of the following entities has been blended within the financial statements: Riesel Education Facilities Corporation (REFC), Riesel Cultural Facilities Corporation (RCFC), and Riesel Health Facilities Development Corporation (RHFCC).

Blended Component Units

REFC is a Texas non-profit corporation created to provide financing to organizations constructing 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 terms in the loan agreement. The City Council must approve any potential debt. There was no activity to report for the year ended September 30, 2022.

RCFC is a Texas non-profit corporation created to provide financing to organizations developing cultural facilities. The bonds issued do not constitute a debt or a pledge of faith or credit by RCFC or the City but are payable by the user pursuant terms in the loan agreement. The City Council must approve any potential debt. There was no activity to report for the year ended September 30, 2022.

RHFDC is a Texas non-profit corporation created to provide financing to organizations developing health facilities. The bonds issued do not constitute a debt or a pledge of faith or credit by RHFDC or the City but are payable by the user pursuant terms in the loan agreement. The City Council must approve any potential debt. There was no activity to report for the year ended September 30, 2022.

B. Basis of Presentation

While separate government-wide financial statements (based on the City as a whole) and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

The fund financial statements provide information about the City’s funds. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental funds:

The general fund is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The water fund is used to account for the water distribution system and solid waste collections, and the sewer fund accounts for the service operations of the sewage treatment plant, sewage stations and collection systems. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. Exceptions to this general rule are payments, where the amounts are reasonably equivalent in value to the inter-fund services provided and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as an *"other financing source"*.

Property, franchise, and sales taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received.

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments

Cash and cash equivalents for purposes of reporting cash flows of proprietary funds are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in Obligations of Governmental Entities, Certificates of Deposit, Repurchase Agreements, Commercial Paper, Mutual Funds, and Investment Pools.

The City has elected to limit investments to Certificates of Deposit.

Accounts Receivables

In the general and proprietary funds, the City records certain revenues billed to other governmental agencies, residents, and others on a monthly basis. Receivables in the governmental funds include property tax, sales tax, franchise fees and fines. Receivables in the proprietary fund include amounts from customers for water, sewer, and sanitation services. All receivables are current and due within one year. Activities between funds that are outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Capital Assets

Capital Assets, which include land, building and improvements, machinery and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and water and sewer facilities are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets (those dedicated to the City) are recorded at acquisition value or the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest cost on governmental activities construction projects are not capitalized.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows/inflows of resources. These separate financial statement elements, deferred outflows/inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources until then.

The City's deferred outflows/inflows of resources at September 30, 2022 are related to recognition of pension and other post-employment benefits (OPEB) assets/liabilities as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations

In the government-wide financial statements and in the fund financial statements for the proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred amounts on refunding. Bond issuance costs, with the exception of bond insurance, are expensed in the period incurred. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

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

Other Post-Employment Benefits

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

Net Position Flow Assumptions

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed by creditors, grantors, laws or regulations of other governments. Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Policies and Flow Assumptions

Governmental fund's fund balances classified as restricted are balances constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are considered equally restrictive for the purpose of committing fund balance. The City Council must take the same level of action to remove or change the constraint. Assigned fund balances are constrained by intent to use for a specific purpose but are neither restricted nor committed. Assignments are made by City management based on Council direction. Unassigned fund balance represents the residual amount for the general fund that is not contained in other classifications.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Use of Estimates

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

Property Taxes

The City is limited to a maximum tax rate for all purposes of \$1.50 per \$100 assessed valuation. This maximum tax rate is imposed by the Constitution of the State of Texas. Within this \$1.50 maximum, there is no legal limit upon the amount of taxes which can be levied for debt service. All taxes due the City on real or personal property are collected by the McLennan County Tax Assessor-Collector and may be paid at any time after the tax rolls have been completed and approved, which is not later than October 1.

The City's property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 31. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year. 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.

Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. Operating expenses for water and sewer 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.

CITY OF RIESEL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted by the City Council prior to the beginning of the year on a modified cash basis (which differs from generally accepted accounting principles) for the general fund and proprietary funds. The budget is proposed to the City Council and includes 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 held for taxpayer comments. The City Council votes to legally adopt the budget but can authorize supplemental changes during the year.

Adjustments necessary to convert the results of operations (which are on the GAAP basis) to the modified cash basis are made for purposes of budgetary comparison.

The appropriated budget is used in this report. Appropriations lapse at the end of the year unless carried forward by Council action. No encumbrances are recognized or recorded. The operating budget includes proposed expenditures for the General Fund.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

As of September 30, 2022, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Input Level</u>
Certificates of Deposit	\$ 301,316	1
	<u>\$ 301,316</u>	

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.

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 observable inputs; and Level 3 inputs are unobservable inputs.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair value by structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operation, investing operating funds primarily in shorter-term securities, money market mutual funds or government investment pools, and 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.

Credit Risk

For an investment, credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligations. Texas Government Code Chapter 2256, Public Funds Investment Act, restricts the types of investments in which the City may invest. The City’s investment policy addresses credit quality by further restricting authorized investments to the following:

- Limit investments to the safest types of securities;
- Limit Certificates of Deposit that are insured by the Federal Deposit Insurance Corporation (FDIC);
- Limit 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-qualify the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business;
- Diversify the investment portfolio so that potential losses on individual securities were minimized.

CITY OF RIESEL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

A. DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments in the securities of a single issuer. The City's investment policy includes an investment objective of seeking diversification to avoid unreasonable risk.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. City policy requires all deposits to be fully secured in accordance with the Texas Government Code, Chapter 2257, by either surety bonds, letters of credit of the United States or its agencies and instrumentalities, or by eligible securities held by an independent third-party custodian.

For an investment, custodial credit risk is the risk that in the event of the failure of the counter-party, the City would not be able to recover the value of its investment or collateralized securities that are in the possession of an outside third party. The City's investment policy requires that investments be held by a third-party custodian bank. All investments were held by the City's third-party custodian bank in the City's name.

Escrow Accounts

The City has an agreement with the Texas Water Development Board (TWDB) to provide financial assistance to the City through the Drinking Water State Revolving Fund for the purpose of making improvements to the City's water system. In 2021 the City received proceeds from the certificates of obligation along with funds as part of a loan forgiveness program to be held in escrow accounts pending approval by the TWDB for final disbursement. The TWDB has agreed to purchase the 2021 Series certificates as well as loan forgiveness totaling \$5,860,000. A summary of the escrow balances at September 31, 2022 were:

Unspent proceeds 2021 certificates of obligation	\$ 5,099,807
Unspent proceeds 2021 TWDB loan forgiveness	<u>391,487</u>
Total	<u>\$ 5,491,294</u>

B. RECEIVABLES

Receivables at September 30, 2022 were:

	General	Water	Sewer	Total Receivables
Property taxes	\$ 9,858	\$ -	\$ -	\$ 9,858
Sales taxes	10,608	-	-	10,608
Accounts Receivable	-	86,923	11,645	98,568
	\$ 20,466	\$ 86,923	\$ 11,645	\$ 119,034

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

C. 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. At September 30, 2022, the balances were as follows.

Funds	Due To	Due From
General	\$1,613,937	\$ -
Sewer	-	801,749
Water	-	812,188
Total	<u>\$1,613,937</u>	<u>\$1,613,937</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 fund. Some lending/borrowing may occur between two or more funds.

D. CAPITAL ASSETS

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

	Balance October 1, 2021	Additions	Retirements/ Reclassifications	Balance September 30, 2022
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 24,604	\$ -	\$ -	\$ 24,604
Total capital assets, not being depreciated:	24,604	-	-	24,604
Capital assets, being depreciated:				
Buildings and Improvements	137,890	-	-	137,890
Machinery and Equipment	134,910	-	-	134,910
Vehicles	198,941	-	-	198,941
Infrastructure	706,938	45,420	-	752,358
Total capital assets, being depreciated:	1,178,679	45,420	-	1,224,099
Less accumulated depreciation	(608,969)	(83,947)	-	(692,916)
Total capital assets being depreciated, net	569,710	(38,527)	-	531,183
Governmental activities capital assets, net	\$ 594,314	\$ (38,527)	\$ -	\$ 555,787
	Balance October 1, 2021	Additions	Retirements/ Reclassifications	Balance September 30, 2022
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 125,247	\$ -	\$ -	\$ 125,247
Construction in Progress	106,000	21,776	-	127,776
Total capital assets, not being depreciated:	231,247	21,776	-	253,023
Capital assets, being depreciated:				
Buildings and Improvements	40,927	-	-	40,927
Water and Sewer System	4,958,462	-	-	4,958,462
RMS Water System	2,559,712	-	-	2,559,712
Machinery and Equipment	582,879	9,407	-	592,286
Total capital assets, being depreciated:	8,141,980	9,407	-	8,151,387
Less accumulated depreciation	(2,341,971)	(314,528)	-	(2,656,499)
Total capital assets being depreciated, net	5,800,009	(305,121)	-	5,494,888
Business-type activities capital assets, net	\$ 6,031,256	\$ (283,345)	\$ -	\$ 5,747,911

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs for the fiscal year 2022 as follows:

Department/Function	Amount
Governmental Activities:	
Administration	\$ 30,323
Public safety	24,345
Public works	29,279
Total governmental activities	\$ 83,947
Business-type Activities:	
Sewer Fund	\$ 50,014
Water Fund	264,514
Total business-type activities	\$ 314,528

E. LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended September 30, 2022 was as follows:

	Amounts			Amounts	
	Outstanding 10/1/21	Additions	Retirements	Outstanding 9/30/22	Due Within One Year
Governmental Activities					
Texas Comptroller of Public Accounts	\$ -	\$ 24,379	\$ -	\$ 24,379	\$ -
Net Pension Liability	107,968	-	29,948	78,020	-
OPEB Liability	22,443	2,975	-	25,418	-
Total governmental activities	130,411	27,354	29,948	127,817	-
Business-type Activities					
Revenue Bond Series 2009	538,000	-	11,000	527,000	11,000
Certificates of Obligation - Series 1999	322,000	-	12,000	310,000	13,000
Certificates of Obligation - Series 2013	155,000	-	20,000	135,000	20,000
Certificates of Obligation - Series 2021	5,360,000	-	-	5,360,000	185,000
Net Pension Liability	20,114	-	10,398	9,716	-
OPEB Liability	4,180	-	1,014	3,166	-
Total Business-type Activities	6,399,294	-	54,412	6,344,882	229,000
Total Primary Government	\$ 6,529,705	\$ 27,354	\$ 84,360	\$ 6,472,699	\$ 229,000

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

E. LONG-TERM LIABILITIES (continued)

Bonds Payable

Bond indebtedness of the City is reflected in the following schedule.

A summary of changes in bonds payable for the year September 30, 2022 is as follows:

	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/1/21	Additions	Retirements	Amounts Outstanding 9/30/22
<i>Business-type Activities</i>						
Revenue Bond Series 2009	4.13%	637,000	\$ 538,000	\$ -	\$ 11,000	\$ 527,000
Certificates of Obligation - Series 1999	4.75%	478,000	322,000	-	12,000	310,000
Certificates of Obligation - Series 2013	2.99%	300,000	155,000	-	20,000	135,000
Certificates of Obligation - Series 2021	0.00%	5,360,000	5,360,000	-	-	5,360,000
			<u>\$ 6,375,000</u>	<u>\$ -</u>	<u>\$ 43,000</u>	<u>\$ 6,332,000</u>

Debt service requirements for bonds payable are as follows:

Year Ended September 30,	Bonds Payable		Total Requirements
	Principal	Interest	
2023	228,000	40,500	268,500
2024	229,000	38,879	267,879
2025	230,000	37,209	267,209
2026	236,000	35,499	271,499
2027	238,000	33,591	271,591
2028-2032	1,108,000	141,651	1,249,651
2033-2037	1,121,000	102,291	1,223,291
2038-2042	1,086,000	58,108	1,144,108
2043-2047	1,060,000	29,700	1,089,700
2048-2051	796,000	3,795	799,795
	<u>\$ 6,332,000</u>	<u>\$ 521,223</u>	<u>\$ 6,853,223</u>

The City's bond indentures contain restrictions concerning accounting records, interest and sinking funds, and reserve funds. The City had \$58,514 at September 30, 2022, in interest and sinking accounts. Additionally, the City makes deposits, as required to such accounts, in order to have adequate funds available as debt matures.

The various debt instruments contain certain limitations and restrictions, with which the City was compliant.

The 2009 Revenue Bond Series was for the original amount of \$637,000 for a water system. The payments are due in annual installments of \$7,000 to \$31,000 through 2049 with an annual interest rate of 4.125%.

The Certificate of Obligation Bonds, Series 1999 was for the original amount of \$478,000 sewer system. The payments are due in annual installments of \$2,000 to \$66,000 through 2039 with an annual interest rate of 4.75%.

The \$300,000 Certificate of Obligation Bonds, Series 2013 was for the water and sewer system. The payments are due in annual installments of \$15,000 to \$28,000 through 2028 with an annual interest rate of 2.990%.

The Certificate of Obligation Bonds, Series 2021 in the amount of \$5,360,000 was for the construction of improvements to the City's water system. The payments are due in annual installments of \$185,000 through 2051 with an interest rate of 0.00%. The sale of the bonds was made by private placement with Texas Water Development board (TWDB). The payments are secured by ad valorem taxes and a lien on surplus utility revenues and are recorded in the water fund.

CITY OF RIESEL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

F. 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's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in TML is limited to quarterly payment of premiums. 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 also provides workers compensation insurance on its employees through TML. Workers compensation is subject to change when audited by TML. At year end September 30, 2022, the City believed the amounts paid on workers compensation would not change significantly from the amounts recorded.

G. RESTRICTED ASSETS

Restrictions on cash and cash equivalents and certificates of deposits at September 30, 2022 are as follows:

	Governmental Activities	Business-type Activities	Total
TWBD Escrow	\$ -	\$ 5,491,294	\$ 5,491,294
Debt Service	215	157,092	157,307
Municipal Court	306,734	-	306,734
Public Safety	4,435	-	4,435
	\$ 311,384	\$ 5,648,386	\$ 5,959,770

H. CONTINGENT LIABILITIES AND COMMITMENTS

Water Purchase Commitment

In December 2008, the City purchased land to procure a site for a water well. The City is required to pay a royalty to the seller for the water produced at a rate of \$0.15 per thousand gallons. This royalty payment is due monthly as long as the City produces water from the property. During the year ended September 30, 2022, the City paid \$2,183 in royalties.

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, 2022, the City abated ad valorem taxes totaling \$13,325 as detailed below:

First Year of Abatement	Company	2021 Abated Value	Term of Abatement	Abatement Percentage	Commitment by Recipient
2013	Sandy Creek Energy Asso., LP	\$4,499,944	10 years	35% to 98%	Construct new facility, create 100 jobs on average.

H. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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, 2022, there was no activity and no fees received. Additional information regarding these matters can be obtained from the City Secretary.

I. DEFINED BENEFIT PENSION PLANS

Plan Description

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

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

Benefits Provided

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

At retirement, the 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 payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

CITY OF RIESEL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

I. DEFINED BENEFIT PENSION PLANS (continued)

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

A summary of plan provisions adopted by the City are as follows:

<i>City of Riesel, Texas Plan Provisions</i>	
Employee Deposit Rate	5%
Municipal Current Matching Ratio	1 to 1
Vested Requirement	5 years
Service Retirement Eligibility	Vested and age 60 or 20 years and any age
Updated Service Credit:	
Rate(%)	0.0%
Supplemental Death Benefits:	
Employees	Yes
Retirees	Yes
City Number	1072

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	7
Active employees	7
Total	16

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 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 5.86% and 6.01% in calendar years 2021 and 2020, respectively. The city's contributions to TMRS for the year ended September 30, 2022 were \$22,131 and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

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

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

I. DEFINED BENEFIT PENSION PLANS (continued)

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

The actuarial assumptions 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. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

Rate of Return

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

Asset Class	Target %
Global Equity	30.00%
Core Fixed Income	10.00%
Non-Core Fixed Income	20.00%
Real Estate	10.00%
Real Return	10.00%
Absolute Return	10.00%
Private Equity	10.00%
Total	100.00%

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, 2022

I. DEFINED BENEFIT PENSION PLANS (continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2020	\$ 594,275	\$ 466,194	\$ 128,081
Changes for the year:			
Service cost	21,740	-	21,740
Interest (on the Total Pension Liability)	40,221	-	40,221
Difference between expected and actual experience	(3,122)	-	(3,122)
Change in assumptions	-	-	-
Contributions - employer	-	20,442	(20,442)
Contributions - employee	-	18,027	(18,027)
Net investment income	-	60,994	(60,994)
Benefit payments, including refunds of employee contributions	(18,546)	(18,546)	-
Administrative expense	-	(281)	281
Other changes	-	2	(2)
Net changes	40,293	80,638	(40,345)
Balance at 12/31/2021	\$ 634,568	\$ 546,832	\$ 87,736

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	\$ 185,069	\$ 87,736	\$ 7,936

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in fiduciary Net Position, by Participating City. That report may be obtained on the Internet at www.tnrs.com.

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

For the year ended September 30, 2022, the city recognized pension expense of \$22,131.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,746	\$ 4,047
Changes in actuarial assumptions	-	1,341
Difference between projected and actual investment earnings	5,830	37,000
Contributions subsequent to the measurement date	16,760	-
Total	\$ 25,336	\$ 42,388

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

I. DEFINED BENEFIT PENSION PLANS (continued)

The \$16,760 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources, by year, to be recognized in future pension expense is as follows:

Year ended December 31,	Net Deferred Outflows / (Inflows) of Resources
2022	\$ (7,005)
2023	(12,932)
2024	(6,936)
2025	(6,430)
2026	(507)
Thereafter	-
	\$ (33,810)

J. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City also voluntarily participates in the single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance.

Benefits Provided

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	2
Active employees	7
Total	11

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.18% for 2020 and 0.19% for 2021, of which 0.04% and 0.11% represented the retiree-only portion for each year, respectively, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2021 and 2022 were \$679 and \$694, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Net OPEB Liability

The City's net OPEB liability of \$28,584 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

CITY OF RIESEL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

J. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Actuarial assumptions

The net OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount rate*	1.84%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disables retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

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

Discount Rate

The discount rate used to measure the net OPEB liability was 1.84%. The changes in the total OPEB Liability for the year ended December 31, 2021 were as follows:

	Increase (Decrease)
	Total OPEB Liability
Balance at 12/31/2020	\$ 26,624
Changes for the year:	
Service cost	1,190
Interest (on the Total OPEB Liability)	540
Differences between expected and actual experience	(214)
Changes in assumptions or other inputs	841
Benefit payments, including refunds of employee contributions	(397)
Net changes	1,960
Balance at 12/31/2021	\$ 28,584

CITY OF RIESEL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

J. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

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

The following presents the net pension liability of the City, calculated using the discount rate of 1.84%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 0.84% or 1-percentage-point higher 2.84% than the current rate:

	1% Decrease in Discount Rate 0.84%	Discount Rate 1.84%	1% Increase in Discount Rate 2.84%
Total OPEB liability	\$ 34,821	\$ 28,584	\$ 23,762

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

For the year ended September 30, 2022, the city recognized OPEB expense of \$694.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,210
Changes in actuarial assumptions	5,567	-
Contributions subsequent to the measurement date	520	-
Total	\$ 6,087	\$ 1,210

Deferred outflows and deferred inflows of resources, by year, to be recognized in future OPEB expense is as follows:

Year ended December 31,	Net Deferred Outflows/(Inflows) of Resources
2022	\$ 882
2023	882
2024	843
2025	694
2026	471
Thereafter	585
	\$ 4,357

K. SUBSEQUENT EVENTS

Subsequent events were evaluated for possible adjustment to the financial statements or disclosure through June 13, 2023, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIESEL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual Results	Variance with Final Budget Positive/(Negative)
REVENUES:				
Property Taxes	\$ 221,649	\$ 221,649	\$ 222,707	\$ 1,058
General Sales and Use Taxes	115,870	115,870	156,530	40,660
Franchise and other Taxes	52,300	52,300	56,982	4,682
Charges for Services	3,800	3,800	13,175	9,375
Fines	669,594	669,594	884,403	214,809
Investment Earnings	18,000	18,000	3,926	(14,074)
Payment in lieu of taxes	125,000	125,000	125,000	-
Total Revenues	1,206,213	1,206,213	1,462,723	256,510
EXPENDITURES:				
Administration	235,116	235,116	214,087	21,029
Judicial	272,719	272,719	382,229	(109,510)
Public Safety	245,286	245,286	251,417	(6,131)
Public Works	259,729	259,729	182,052	77,677
Debt Service	-	-	-	-
Capital Outlay	551,317	551,317	45,420	505,897
Total Expenditures	1,564,167	1,564,167	1,075,205	488,962
OTHER FINANCING SOURCES (USES):				
Grants and Donations	129,477	129,477	128,985	(492)
Fund Appropriations	228,477	228,477	-	(228,477)
Total Other Financing Sources (Uses):	357,954	357,954	128,985	(228,969)
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	\$ -	\$ -	\$ 516,503	\$ 516,503

CITY OF RIESEL, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 - BUDGETARY INFORMATION

The governmental fund financial statements of the City are reported using the current financial resources measurement and the modified accrual basis of accounting. Revenues are recognized as soon as they are 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. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and capital outlays are recorded when payment is made.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2022, the following expenditures exceed appropriations in the General Fund:

Judicial	\$	109,510
Public safety		6.131

CITY OF RIESEL, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TEXAS MUNICIPAL
RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Plan Year	2014	2015	2016
A. Total pension liability			
Service Cost	\$ 16,149	\$ 18,991	\$ 21,662
Interest (on the Total Pension Liability)	20,557	22,521	25,187
Changes of benefit terms	-	-	-
Difference between expected and actual experience	732	548	3,658
Change of assumptions	-	17,535	-
Benefit payments, including refunds of employee contributions	(8,325)	(13,291)	(5,743)
Net Change in Total Pension Liability	29,113	46,304	44,764
Total Pension Liability - Beginning	289,760	318,873	365,177
Total Pension Liability - Ending (a)	\$ 318,873	\$ 365,177	\$ 409,941
B. Plan Fiduciary Net Position			
Contributions - Employer	\$ 13,696	\$ 15,850	\$ 17,848
Contributions - Employee	14,063	14,953	16,022
Net Investment Income	8,683	265	13,357
Benefit payments, including refunds of employee contributions	(8,325)	(13,291)	(5,743)
Administrative Expense	(91)	(162)	(151)
Other	(7)	(7)	(8)
Net Change in Plan Fiduciary Net Position	28,019	17,608	41,325
Plan Fiduciary Net Position - Beginning	151,674	179,693	197,301
Plan Fiduciary Net Position - Ending (b)	\$ 179,693	\$ 197,301	\$ 238,626
C. Net Pension Liability - Ending (c) (a - b)	\$ 139,180	\$ 167,876	\$ 171,315
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability (b/a)			
	56.35%	54.03%	58.21%
E. Covered Employee Payroll (e)			
	\$ 281,268	\$ 299,065	\$ 320,439
F. Net Pension Liability as a Percentage of Covered Employee Payroll (c/e)			
	49.48%	56.13%	53.46%

Notes to Schedule:

GASB 68 requires 10 fiscal years of data to be provided in this schedule, but information prior to 2014 is not available. The City will be required to build this schedule over the next 10-year period.

	2017	2018	2019	2020	2021
\$	21,173	\$ 21,473	\$ 21,947	\$ 20,815	\$ 21,740
	27,986	30,860	33,667	37,128	40,221
	-	-	-	-	-
	2,433	(4,458)	5,745	(40)	(3,122)
	-	-	(3,013)	-	-
	(11,828)	(6,518)	(6,518)	(6,518)	(18,546)
	39,764	41,357	51,828	51,385	40,293
	409,941	449,705	491,062	542,890	594,275
\$	449,705	\$ 491,062	\$ 542,890	\$ 594,275	\$ 634,568
\$	22,204	\$ 21,433	\$ 21,550	\$ 20,119	\$ 20,442
	17,020	17,289	18,019	17,259	18,027
	33,138	(8,973)	49,932	30,820	60,994
	(11,828)	(6,518)	(6,518)	(6,518)	(18,546)
	(171)	(173)	(281)	(199)	(281)
	(9)	(10)	(9)	(8)	2
	60,354	23,048	82,693	61,473	80,638
	238,626	298,980	322,028	404,721	466,194
\$	298,980	\$ 322,028	\$ 404,721	\$ 466,194	\$ 546,832
\$	150,725	\$ 169,034	\$ 138,169	\$ 128,081	\$ 87,736
	66.48%	65.58%	74.55%	78.45%	86.17%
\$	340,409	\$ 345,773	\$ 360,375	\$ 345,185	\$ 360,539
	44.28%	48.89%	38.34%	37.11%	24.33%

CITY OF RIESEL, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS - TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Fiscal Year Ended September 30,	2015	2016	2017
Actuarially Determined Contributions	\$ 15,203	\$ 17,991	\$ 21,358
Contributions in relation to the actuarially determined contributions	\$ 15,203	\$ 17,991	\$ 21,358
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 293,122	\$ 327,034	\$ 337,541
Contributions as a percentage of covered employee payroll	5.19%	5.50%	6.33%

NOTES TO THE SCHEDULE OF PENSION 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; 12% soft corridor

Inflation

2.50%

Salary Increases

3.50% to 11.50% including inflation

Investment Rate of Return

6.75%

Retirement Age

Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year. GASB 68 requires ten years of data to be presented in this schedule, but data prior to 2015 is not available. This schedule will be built to show the remaining reporting requirement.

	2018	2019	2020	2021	2022
\$	21,985	\$ 21,365	\$ 19,534	\$ 20,678	\$ 22,131
\$	21,985	\$ 21,365	\$ 19,534	\$ 20,678	\$ 21,964
\$	-	\$ -	\$ -	\$ -	\$ 167
\$	350,117	\$ 354,510	\$ 332,970	\$ 362,062	\$ 380,642
	6.28%	6.03%	5.87%	5.71%	5.77%

CITY OF RIESEL, TEXAS
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Plan Year Ended December 31,				
	2017	2018	2019	2020	2021
Changes in the Total OPEB Liability					
Changes for the year:					
Service Costs	\$ 511	\$ 622	\$ 468	\$ 656	\$ 1,190
Interest on Total OPEB Liability	613	631	697	637	540
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	225	(571)	(1,051)	(214)
Changes in assumptions or other inputs	1,729	(1,584)	3,807	3,630	841
Benefit payments*	(68)	(69)	(108)	(138)	(397)
Net changes	2,785	(175)	4,293	3,734	1,960
Total OPEB Liability - beginning of year	15,987	18,772	18,597	22,890	26,624
Total OPEB Liability - end of year	\$ 18,772	\$ 18,597	\$ 22,890	\$ 26,624	\$ 28,584
Covered Employee Payroll	\$ 340,409	\$ 345,773	\$ 360,375	\$ 345,185	\$ 360,539
Total OPEB Liability as a percentage of Covered Employee Payroll	5.51%	5.38%	6.35%	7.71%	7.93%

* 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 contribution for retirees.

Notes to Schedule:

GASB 75 requires 10 fiscal years of data to be provided in this schedule, but information prior to 2017 is not available. The City will be required to build this schedule over the next 10-year period.

CITY OF RIESEL, TEXAS
 SCHEDULE OF OPEB CONTRIBUTIONS - TEXAS MUNICIPAL RETIREMENT SYSTEM
 SEPTEMBER 30, 2022

Plan Year	2018	2019	2020	2021	2022
Actuarially Determined Contributions	\$ 625	\$ 524	\$ 575	\$ 679	\$ 694
Contributions in relation to the actuarially determined contributions	\$ 625	\$ 524	\$ 575	\$ 679	\$ 694
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 350,117	\$ 350,117	\$ 332,970	\$ 362,062	\$ 380,642
Contributions as a percentage of covered employee payroll	0.18%	0.15%	0.17%	0.19%	0.18%

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount rate	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expense 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-disables retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

Notes
 There were no benefit changes during the year. GASB 75 requires 10 fiscal years of data to be provided in the schedule. The City will be required to build this schedule over the next 10 years.

COMPLIANCE / INTERNAL CONTROL

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Paul J. Christensen, C.P.A.
Gary L. Sauls, C.P.A.

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Riesel, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Riesel, Texas basic financial statements, and have issued our report thereon dated June 13, 2023.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Riesel, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Paul J. Hite + Partner, LLC

Waco, Texas
June 13, 2023