

CITY OF RICHWOOD, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2024**

CITY OF RICHWOOD, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2024

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richwood, Texas (the "City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, 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 (GAAS) and the standards applicable to financial audits contained in *Governmental 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 Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's 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.

OFFICE LOCATIONS

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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 GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement 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's 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's 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, budgetary comparison information, and required pension and OPEB information 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 Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2025, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

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

Waco, Texas
February 10, 2025

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis

As management of the City of Richwood (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,692,080 (net position). Of this amount, \$2,311,327 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation.
- The City's total net position increased by \$545,204, primarily caused by increases to property tax revenues as well as utility charges for services.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,860,663. 83.01% of this total amount, \$2,374,510 (unassigned fund balance) is available for use at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,374,510 or 46.39% of the total general fund expenditures. Sound financial management practices call for at least 25% of unassigned fund balance to general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, and the Transportation Fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregation presentation.

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

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

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

Combining and individual fund statements and schedules are presented following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,692,080 as of September 30, 2024.

The largest portion of the City's net position, \$15,607,057 (83.50%) reflects its investments in capital assets (e.g., land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$773,696 (4.14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,311,327 (12.37%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2024, the City was able to report positive balances in all three categories of net position for both governmental activities and business-type activities. The following table shows the condensed Statement of Net Position for the City for the current and prior fiscal years:

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 3,480,381	\$ 4,647,030	\$ 1,308,098	\$ 1,726,902	\$ 4,788,479	\$ 6,373,932
Capital assets	<u>14,944,823</u>	<u>13,865,157</u>	<u>10,128,471</u>	<u>10,144,742</u>	<u>25,073,294</u>	<u>24,009,899</u>
Total assets	<u>18,425,204</u>	<u>18,512,187</u>	<u>11,436,569</u>	<u>11,871,644</u>	<u>29,861,773</u>	<u>30,383,831</u>
Deferred outflows of resources	<u>330,560</u>	<u>513,051</u>	<u>72,858</u>	<u>118,221</u>	<u>403,418</u>	<u>631,272</u>
Long-term liabilities	6,236,107	6,668,486	4,425,651	4,778,663	10,661,758	11,447,149
Other liabilities	<u>508,988</u>	<u>1,037,671</u>	<u>329,244</u>	<u>340,565</u>	<u>838,232</u>	<u>1,378,236</u>
Total liabilities	<u>6,745,095</u>	<u>7,706,157</u>	<u>4,754,895</u>	<u>5,119,228</u>	<u>11,499,990</u>	<u>12,825,385</u>
Deferred inflows of resources	<u>57,376</u>	<u>34,191</u>	<u>15,745</u>	<u>8,651</u>	<u>73,121</u>	<u>42,842</u>
Net position:						
Net investment						
in capital assets	9,690,330	8,236,774	5,916,727	6,114,076	15,607,057	14,350,850
Restricted	467,717	472,317	305,979	155,617	773,696	627,934
Unrestricted	<u>1,795,246</u>	<u>2,575,799</u>	<u>516,081</u>	<u>592,293</u>	<u>2,311,327</u>	<u>3,168,092</u>
Total net position	<u>\$ 11,953,293</u>	<u>\$ 11,284,890</u>	<u>\$ 6,738,787</u>	<u>\$ 6,861,986</u>	<u>\$ 18,692,080</u>	<u>\$ 18,146,876</u>

Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2024. Governmental activities increased the City's net position by \$668,403. Business-type activities decreased the City's net position by \$123,199. The following table shows the condensed Statement of Activities for the current and prior fiscal years:

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 445,576	\$ 409,838	\$ 2,871,608	\$ 2,707,071	\$ 3,317,184	\$ 3,116,909
Operating grants and contributions	27,897	240,039	-	-	27,897	240,039
Capital grants and contributions	880,399	135,088	28,968	10,516	909,367	145,604
General revenues:						
Property taxes	2,660,913	2,448,794	-	-	2,660,913	2,448,794
Sales taxes	868,747	800,045	-	-	868,747	800,045
Franchise taxes	175,683	196,079	-	-	175,683	196,079
Investment income	208,824	182,243	29,995	35,985	238,819	218,228
Miscellaneous	<u>84,040</u>	<u>38,149</u>	<u>26,765</u>	<u>11,900</u>	<u>110,805</u>	<u>50,049</u>
Total revenues	<u>5,352,079</u>	<u>4,450,275</u>	<u>2,957,336</u>	<u>2,765,472</u>	<u>8,309,415</u>	<u>7,215,747</u>
Expenses:						
General government	2,204,183	951,104	-	-	2,204,183	951,104
Judicial	88,132	106,726	-	-	88,132	106,726
Public safety	1,516,874	1,560,892	-	-	1,516,874	1,560,892
Public works	650,858	896,995	-	-	650,858	896,995
Culture and recreation	60,471	59,945	-	-	60,471	59,945
Interest on long-term debt	163,158	151,105	-	-	163,158	151,105
Water, sewer, and sanitation	-	-	3,080,535	2,333,760	3,080,535	2,333,760
Total expenses	<u>4,683,676</u>	<u>3,726,767</u>	<u>3,080,535</u>	<u>2,333,760</u>	<u>7,764,211</u>	<u>6,060,527</u>
Change in net position	668,403	723,508	(123,199)	431,712	545,204	1,155,220
Net position, beginning	<u>11,284,890</u>	<u>10,561,382</u>	<u>6,861,986</u>	<u>6,430,274</u>	<u>18,146,876</u>	<u>16,991,656</u>
Net position, ending	<u>\$ 11,953,293</u>	<u>\$ 11,284,890</u>	<u>\$ 6,738,787</u>	<u>\$ 6,861,986</u>	<u>\$ 18,692,080</u>	<u>\$ 18,146,876</u>

Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported ending fund balances of \$2,860,663. \$2,374,510 (83.01%) of this total amount constitutes unassigned fund balance. The remainder of the fund balance is either non-spendable, restricted or committed to indicate that it is not available for new spending. The most significant restrictions include \$4,803 for debt service, and \$391,552 restricted for street maintenance/transportation projects.

The General Fund is the primary operating fund of the City. The General Fund's fund balance decreased by \$482,918. This was primarily caused by approximately \$1 million of clean-up costs incurred subsequent to Hurricane Beryl in June 2024. ARPA-funded capital projects also increased expenditures, but this was offset by the federal grant revenues that were received for the projects.

The Debt Service Fund's fund balance decreased by \$3,554, primarily due to the City's debt service payments increasing from the issuance of bonds in prior years. An increase in assessed values was largely offset by a decrease in the debt service tax rate, and thus reserves are expected to remain static until new debt is issued or paid off in the future.

The Transportation Fund, a major special revenue fund, fund balance decreased by \$8,081. The fund is primarily funded by a portion of sales taxes and a \$5 monthly fee added to utility bills. As discussed previously, continued growth in the City increased the number of customer accounts driving the street maintenance fee.

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

At September 30, 2024, the proprietary fund had \$516,081 in unrestricted net position and total net position decreased by \$123,199. The decrease in net position was largely due to increased operating and maintenance costs, as well as continued depreciation on capital assets. Charges for services increased from slight solid waste rate increases.

General Fund Budgetary Highlights. Actual revenues exceeded budget by \$145,314 mainly due to increases in investment income and the receipt of several grants mentioned previously. Expenditures were higher than appropriations by \$18,976 primarily due to expenditures made under federal grants that were not reflected in the budget. The reimbursement of these grants was the primary driver of the revenue excess discussed above.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2024, was \$25,073,294 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress.

Capital Assets at Year-end, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 335,262	\$ 335,262	\$ 122,580	\$ 122,580	\$ 457,842	\$ 457,842
Buildings	1,329,277	1,377,715	44,764	49,358	1,374,041	1,427,073
Furniture, equipment, and vehicles	960,403	741,483	56,242	67,511	1,016,645	808,994
SBITAs		-	189,228	212,800	189,228	212,800
Infrastructure	5,241,207	5,450,013	4,749,388	5,010,138	9,990,595	10,460,151
Construction in progress	7,078,674	5,960,684	4,966,269	4,682,355	12,044,943	10,643,039
Total	<u>\$ 14,944,823</u>	<u>\$ 13,865,157</u>	<u>\$ 10,128,471</u>	<u>\$ 10,144,742</u>	<u>\$ 25,073,294</u>	<u>\$ 24,009,899</u>

Significant events related to capital assets during the year were primarily related to the bond-funded projects started in 2019 and 2021. In the governmental activities, project costs of approximately \$1.1 million were completed on various bond-funded drainage, street and sidewalk improvements, and expansions. In the business-type activities, work continued on the North Water Plant project, incurring costs of approximately \$284,000.

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

Debt Administration

At the end of the current fiscal year, the City had total long-term debt of \$9,519,763. This represents a decrease of \$681,188 from the prior year due to continued payments of debt service without issuing any new obligations.

Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Certificates of obligation	\$ 530,000	\$ 585,000	\$ 390,000	\$ 465,000	\$ 920,000	\$ 1,050,000
General obligation bonds	3,935,000	4,190,000	3,345,000	3,480,000	7,280,000	7,670,000
Notes	158,940	173,992	-	-	158,940	173,992
Leases	243,103	266,206	-	70,987	243,103	337,193
Premium on bonds	387,450	413,185	301,338	313,453	688,788	726,638
SBITAs	-	-	190,580	213,145	190,580	213,145
Compensated Absences	<u>34,271</u>	<u>28,052</u>	<u>4,081</u>	<u>1,931</u>	<u>38,352</u>	<u>29,983</u>
Total	<u>\$ 5,288,764</u>	<u>\$ 5,656,435</u>	<u>\$ 4,230,999</u>	<u>\$ 4,544,516</u>	<u>\$ 9,519,763</u>	<u>\$ 10,200,951</u>

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

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

Economic Factors and Next Year’s Budgets and Rates

In the FY 2024-2025 Budget, General Fund revenues are budgeted to increase by 226,895, or 6.6%, from the 2023-2024 budget year due primarily to an increase in property tax revenue.

Certified assessed valuation increased by 8.3% over the preceding year. Net property tax, taxes after payments for 380 Agreements will increase by \$203,747, or approximately 9%.

The Enterprise Fund's 2024-2025 budgeted expenses are expected to decrease by 4.3% over the preceding year's budget. Water rates and sewer rates were increased based on a recommendation from a 2019 Rate Study completed by Strand Engineering to set rates at a level that will cover all operating expenses, all debt payments and a 10% reserve.

Request for Information

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

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**BASIC
FINANCIAL STATEMENTS**

CITY OF RICHWOOD, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Primary Government	
	Governmental Activities	Business-type Activities
ASSETS		
Cash and cash equivalents	\$ 3,052,925	\$ 628,843
Receivables (net of allowances for uncollectibles):		
Taxes	193,261	-
Accounts	145,772	367,104
Internal balances	9,002	(9,002)
Due from other governments	79,421	-
Restricted cash and cash equivalents	-	306,066
Investment in joint venture	-	15,087
Capital assets (net of accumulated depreciation):		
Non-depreciable	7,413,936	5,088,849
Depreciable	7,530,887	5,039,622
Total assets	18,425,204	11,436,569
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions - TMRS	250,833	69,193
Related to pensions - TESRS	66,441	-
Related to OPEB	13,286	3,665
Total deferred outflows of resources	330,560	72,858
LIABILITIES		
Accounts payable	257,133	181,503
Accrued liabilities	82,817	-
Accrued interest payable	28,679	8,290
Unearned revenue	140,359	-
Customer deposits	-	139,451
Noncurrent liabilities:		
Due within one year:		
Long-term debt	434,365	243,856
Claims payable	28,333	-
Due in more than one year:		
Long-term debt	4,854,399	3,987,143
Claims payable	56,667	-
Net pension liability - TMRS	635,282	175,243
Net pension liability - TESRS	156,699	-
Total OPEB liability	70,362	19,409
Total liabilities	6,745,095	4,754,895
DEFERRED INFLOWS OF RESOURCES		
Related to pensions - TMRS	\$ 35,411	\$ 9,769
Related to pensions - TESRS	302	-
Related to OPEB	21,663	5,976
Total deferred inflows of resources	57,376	15,745
NET POSITION		
Net investment in capital assets	9,690,330	5,916,727
Restricted:		
Public Safety	25,354	-
Transportation	391,552	-
Beautification	50,811	-
Capital projects	-	305,979
Unrestricted	1,795,246	516,081
Total net position	\$ 11,953,293	\$ 6,738,787

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

Primary Government	Component Unit
Total	Crime Control & Prevention District
\$ 3,681,768	\$ 400,948
193,261	25,870
512,876	-
-	-
79,421	-
306,066	-
15,087	-
12,502,785	-
12,570,509	-
<u>29,861,773</u>	<u>426,818</u>
320,026	-
66,441	-
16,951	-
<u>403,418</u>	<u>-</u>
438,636	38,379
82,817	-
36,969	-
140,359	-
139,451	-
678,221	-
28,333	-
8,841,542	-
56,667	-
810,525	-
156,699	-
89,771	-
<u>11,499,990</u>	<u>38,379</u>
\$ 45,180	\$ -
302	-
27,639	-
<u>73,121</u>	<u>-</u>
15,607,057	-
25,354	388,439
391,552	-
50,811	-
305,979	-
2,311,327	-
<u>\$ 18,692,080</u>	<u>\$ 388,439</u>

CITY OF RICHWOOD, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities:				
General government	\$ 2,204,183	\$ 115,051	\$ 12,941	\$ -
Judicial	88,132	79,541	-	-
Public safety	1,516,874	101,480	-	-
Public works	650,858	144,304	-	880,399
Culture and recreation	60,471	5,200	14,956	-
Interest and charges on long-term debt	<u>163,158</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total governmental activities</i>	<u>4,683,676</u>	<u>445,576</u>	<u>27,897</u>	<u>880,399</u>
Business-type activities:				
Water, sewer, and sanitation	<u>3,080,535</u>	<u>2,871,608</u>	<u>-</u>	<u>28,968</u>
<i>Total Business-type activities</i>	<u>3,080,535</u>	<u>2,871,608</u>	<u>-</u>	<u>28,968</u>
Total primary government	<u>\$ 7,764,211</u>	<u>\$ 3,317,184</u>	<u>\$ 27,897</u>	<u>\$ 909,367</u>
Component unit:				
Crime Control & Prevention District	<u>\$ 161,953</u>	<u>\$ 13,636</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Miscellaneous

Investment earnings

Total general revenues

Change in net position

Net position -- beginning

Net position -- ending

Net (Expense) Revenue and Changes in Net Position			Component
Primary Government			Unit
Governmental Activities	Business-Type Activities	Total	Crime Control & Prevention District
\$ (2,076,191)	\$ -	\$ (2,076,191)	\$ -
(8,591)	-	(8,591)	-
(1,415,394)	-	(1,415,394)	-
373,845	-	373,845	-
(40,315)	-	(40,315)	-
<u>(163,158)</u>	<u>-</u>	<u>(163,158)</u>	<u>-</u>
<u>(3,329,804)</u>	<u>-</u>	<u>(3,329,804)</u>	<u>-</u>
-	(179,959)	(179,959)	-
-	(179,959)	(179,959)	-
<u>\$ (3,329,804)</u>	<u>\$ (179,959)</u>	<u>\$ (3,509,763)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (148,317)</u>
\$ 2,175,226	\$ -	\$ 2,175,226	\$ -
485,687	-	485,687	-
868,747	-	868,747	167,394
175,683	-	175,683	-
84,040	26,765	110,805	-
<u>208,824</u>	<u>29,995</u>	<u>238,819</u>	<u>10,569</u>
<u>3,998,207</u>	<u>56,760</u>	<u>4,054,967</u>	<u>177,963</u>
668,403	(123,199)	545,204	29,646
<u>11,284,890</u>	<u>6,861,986</u>	<u>18,146,876</u>	<u>358,793</u>
<u>\$ 11,953,293</u>	<u>\$ 6,738,787</u>	<u>\$ 18,692,080</u>	<u>\$ 388,439</u>

CITY OF RICHWOOD, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	General Fund	Debt Service Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 2,635,866	\$ 2,725
Receivables (net of allowance for uncollectibles):		
Taxes	161,602	4,802
Accounts	118,745	-
Due from other governments	79,421	-
Due from other funds	10,372	-
Total assets	<u>3,006,006</u>	<u>7,527</u>
LIABILITIES		
Accounts payable	256,386	-
Accrued liabilities	82,817	-
Due to other funds	-	-
Unearned revenue	140,359	-
Total liabilities	<u>479,562</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	14,106	2,724
Unavailable revenue - municipal court fines	122,579	-
Total deferred inflows of resources	<u>136,685</u>	<u>2,724</u>
FUND BALANCES		
Restricted for:		
Debt service	-	4,803
Court security and technology	-	-
Police training	593	-
Seizure and forfeiture	1,023	-
Beautification	-	-
Transportation	-	-
Committed for insurance	13,633	-
Unassigned	2,374,510	-
Total fund balances	<u>2,389,759</u>	<u>4,803</u>
 Total liabilities, deferred inflows, and fund balances	 <u>\$ 3,006,006</u>	 <u>\$ 7,527</u>

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

Transportation Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 337,668	\$ 76,666	\$ 3,052,925
26,857	-	193,261
27,027	-	145,772
-	-	79,421
-	-	10,372
<u>391,552</u>	<u>76,666</u>	<u>3,481,751</u>
-	747	257,133
-	-	82,817
-	1,370	1,370
-	-	140,359
<u>-</u>	<u>2,117</u>	<u>481,679</u>
-	-	16,830
-	-	122,579
<u>-</u>	<u>-</u>	<u>139,409</u>
-	-	4,803
-	23,738	23,738
-	-	593
-	-	1,023
-	50,811	50,811
391,552	-	391,552
-	-	13,633
<u>-</u>	<u>-</u>	<u>2,374,510</u>
<u>391,552</u>	<u>74,549</u>	<u>2,860,663</u>
<u>\$ 391,552</u>	<u>\$ 76,666</u>	<u>\$ 3,481,751</u>

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CITY OF RICHWOOD, TEXAS

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

SEPTEMBER 30, 2024

Total fund balances - governmental funds \$ 2,860,663

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 14,944,823

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

Property taxes 16,830
Municipal court fines 122,579

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an expenditure is reported when due. (28,679)

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

Bonds payable (4,465,000)
Premiums and discounts on bonds payable (387,450)
Notes payable (402,043)
Compensated absences (34,271)
Claims payable (85,000)
Net pension liabilities (791,981)
Total OPEB liability (70,362)
Deferred outflows and inflows related to pensions 281,561
Deferred outflows and inflows related to OPEB (8,377)

(5,962,923)

Net position of governmental activities \$ 11,953,293

CITY OF RICHWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Debt Service Fund
	<u> </u>	<u> </u>
REVENUES		
Property taxes	\$ 2,170,138	\$ 484,574
Sales taxes	695,053	-
Franchise taxes	175,683	-
Licenses and permits	72,691	-
Intergovernmental revenues	1,000,112	-
Charges for services	173,895	-
Fines and forfeitures	81,943	-
Contributions	-	-
Investments earnings	187,354	2,527
Miscellaneous	40,256	-
Total revenues	<u>4,597,125</u>	<u>487,101</u>
EXPENDITURES		
Current:		
General government	2,060,411	-
Judicial	74,620	-
Public safety	1,466,103	-
Public works	580,767	-
Culture and recreation	50,432	-
Capital outlay	853,001	-
Debt service:		
Principal	23,103	325,052
Interest and fiscal charges	9,609	165,603
Total expenditures	<u>5,118,046</u>	<u>490,655</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(520,921)</u>	<u>(3,554)</u>
OTHER FINANCING SOURCES (USES)		
Sale of assets	43,003	-
Transfers in	-	-
Transfers out	(5,000)	-
Total other financing sources (uses)	<u>38,003</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(482,918)	(3,554)
FUND BALANCE - BEGINNING	<u>2,872,677</u>	<u>8,357</u>
FUND BALANCE - ENDING	<u>\$ 2,389,759</u>	<u>\$ 4,803</u>

Transportation Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,654,712
173,694	-	868,747
-	-	175,683
-	-	72,691
-	-	1,000,112
144,304	-	318,199
-	5,385	87,328
-	14,956	14,956
18,943	-	208,824
-	1,100	41,356
<u>336,941</u>	<u>21,441</u>	<u>5,442,608</u>
-	-	2,060,411
-	12,921	87,541
-	-	1,466,103
80,033	-	660,800
-	10,039	60,471
264,989	-	1,117,990
-	-	348,155
-	-	175,212
<u>345,022</u>	<u>22,960</u>	<u>5,976,683</u>
<u>(8,081)</u>	<u>(1,519)</u>	<u>(534,075)</u>
-	-	43,003
-	5,000	5,000
-	-	(5,000)
<u>-</u>	<u>5,000</u>	<u>43,003</u>
(8,081)	3,481	(491,072)
<u>399,633</u>	<u>71,068</u>	<u>3,351,735</u>
<u>\$ 391,552</u>	<u>\$ 74,549</u>	<u>\$ 2,860,663</u>

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CITY OF RICHWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Net change in fund balances - total governmental funds:	\$ (491,072)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays for the fiscal year.	1,457,046
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(377,061)
In the governmental funds, disposals of capital assets are reported as the amount of cash received, but the statement of activities reports the removal of the asset's net carrying value. This is the net book value of capital assets disposed during the current year.	(319)
Current year long-term debt principal payments on contractual obligations, bonds payable and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	348,155
Certain expenses do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	
Premium on bonds payable	25,735
Accrued interest payable	(13,681)
Compensated Absences	(6,219)
Claims payable	(85,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	(133,213)
Certain pension and other post-employment (OPEB) expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows and inflows. These items relate to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension and OPEB liabilities were amortized.	<u>(55,968)</u>
Change in net position - statement of activities	<u>\$ 668,403</u>

CITY OF RICHWOOD, TEXAS

STATEMENT OF NET POSITION - PROPRIETARY FUND

SEPTEMBER 30, 2024

	<u>Business-Type Activities</u> <u>Water, Sewer</u> <u>and Sanitation</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 628,843
Accounts receivable (net of allowances for uncollectibles)	367,104
Restricted cash and cash equivalents:	
Impact fees	305,979
Unspent bond proceeds	87
Total current assets	<u>1,302,013</u>
Noncurrent assets:	
Investment in joint venture	15,087
Capital assets:	
Non-depreciable	5,088,849
Depreciable, net of accumulated depreciation	<u>5,039,622</u>
Total noncurrent assets	<u>10,143,558</u>
Total assets	<u>11,445,571</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions - TMRS	69,193
Related to OPEB	3,665
Total deferred outflows of resources	<u>72,858</u>
LIABILITIES	
Current liabilities:	
Accounts payable	181,503
Accrued interest payable	8,290
Due to other funds	9,002
Customer deposits	139,451
Compensated absences	1,020
SBITA payable	22,836
Bonds payable	<u>220,000</u>
Total current liabilities	<u>582,102</u>
Noncurrent liabilities:	
Bonds payable	3,816,338
Compensated absences	3,061
SBITA payable	167,744
Net pension liability - TMRS	175,243
Total OPEB liability	<u>19,409</u>
Total noncurrent liabilities	<u>4,181,795</u>
Total liabilities	<u>4,763,897</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions - TMRS	9,769
Related to OPEB	5,976
Total deferred inflows of resources	<u>15,745</u>
NET POSITION	
Net investment in capital assets	5,916,727
Restricted for capital projects	305,979
Unrestricted	<u>516,081</u>
Total net position	<u>\$ 6,738,787</u>

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

CITY OF RICHWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Business-Type Activities</u> <u>Water, Sewer</u> <u>and Sanitation</u>
OPERATING REVENUES	
Charges for services:	
Water fees	\$ 1,430,203
Sewer fees	1,001,862
Garbage fees	373,343
Delinquent charges	38,880
Tap and reconnect fees	27,320
Miscellaneous revenue	26,765
Total operating revenues	<u>2,898,373</u>
OPERATING EXPENSES	
Personnel services	486,159
Materials and supplies	61,383
Maintenance and repair	269,345
Contractual services	471,388
Water purchases	378,754
Refuse collection	345,932
Sewer treatment plant operations	620,196
Depreciation	<u>300,185</u>
Total operating expenses	<u>2,933,342</u>
OPERATING INCOME	<u>(34,969)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	29,995
Interest expense	<u>(147,193)</u>
Total nonoperating revenues (expenses)	<u>(117,198)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	(152,167)
Capital contributions - impact fees	<u>28,968</u>
CHANGE IN NET POSITION	(123,199)
TOTAL NET POSITION - BEGINNING	<u>6,861,986</u>
TOTAL NET POSITION - ENDING	<u>\$ 6,738,787</u>

CITY OF RICHWOOD, TEXAS

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Business-Type Activities</u> <u>Water, Sewer</u> <u>and Sanitation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,887,036
Payments to suppliers and service providers	(2,036,571)
Payments to employees for salaries and benefits	<u>(471,047)</u>
Net cash provided by operating activities	<u>379,418</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(283,914)
Capital contributions	28,968
Payments on long-term debt	(303,552)
Interest paid on long-term debt	<u>(160,441)</u>
Net cash used for capital and related financing activities	<u>(718,939)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>29,995</u>
Net cash provided by investing activities	<u>29,995</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(309,526)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,244,435</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>934,909</u>
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	<u>(34,969)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	300,185
(Increase) decrease in accounts receivable	(17,421)
(Increase) decrease in investment in joint venture	123,950
(Increase) decrease in deferred outflows of resources	45,363
Increase (decrease) in accounts payable	(13,523)
Increase (decrease) in interfund payables	2,749
Increase (decrease) in customer deposits	3,335
Increase (decrease) in compensated absences	2,150
Increase (decrease) in net pension liability	(42,572)
Increase (decrease) in net OPEB liability	3,077
Increase (decrease) in deferred inflows of resources	<u>7,094</u>
Total adjustments	<u>414,387</u>
Net cash provided by operating activities	<u>379,418</u>

CITY OF RICHWOOD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

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

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

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

Richwood Crime Control and Prevention District (CCPD)

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

Keep Richwood Beautiful

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Property taxes, franchise taxes, licenses, municipal court revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government.

The City has presented the following major governmental funds:

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

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

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

The **Transportation Fund** accounts for the sales tax revenues dedicated for street, sidewalk, and drainage improvements, and the related construction and maintenance costs.

The City reports the following major proprietary fund:

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. The City also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Encumbrances

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

Prior to the end of the current period, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the current period end, the City likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the City allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate. The City had no outstanding encumbrances as September 30, 2024.

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

1. Cash and Cash Equivalents

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

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

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

2. Interfund Receivables and Payables

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

3. Capital Assets

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

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	31-40 years
Furniture, equipment, and vehicles	5-10 years
SBITAs	3-5 years
Infrastructure:	
Water and sewer system	45 years

4. Property Taxes

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

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

The taxable value of the property tax roll on January 1, upon which the levy for the 2023-2024 fiscal year was based, was \$457,145,008 after deduction of all exemptions and frozen values. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to penalty and Interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2024, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$0.4418 and \$0.0988 per \$ 100 valuation, respectively, for a total of \$0.5406 per \$100 valuation.

Current tax collections for the year ended September 30, 2024 were 98.9% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

5. Deferred Outflows and Inflows of Resources

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

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

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

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

- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

6. Pension Plans and OPEB Plans

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

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

7. Long-Term Debt

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The City has not received any premiums and or discounts on debt issuances.

8. Subscription-Based Information Technology Arrangements (SBITAs)

The City is has entered into certain subscription-based IT arrangements (SBITAs). The City recognizes liability and an intangible right-to-use asset in the proprietary fund and government-wide financial statements.

At the commencement of a SBITA, the City initially measures the liability at the present value of payments expected to be made during the agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term, and (3) agreed upon payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.
- The agreement term includes the noncancellable period of the SBITA.
- The agreed upon payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability. These right to use assets are reported with other capital assets and liabilities are reported with long-term debt on the statement of net position.

9. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits and receive payment for unused vacation pay upon termination of employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

10. Fund Balances

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

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

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

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

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

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

11. Net Position

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

12. Use of Estimates

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

II. **DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

A. **Deposits and Investments**

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

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

Deposits

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

All deposits with financial institutions must be collateralized in an amount equal to 100 percent of uninsured balances. At year end, except for \$700 of petty cash, the carrying amount of the City's deposits was \$822,507, while the financial institution balances totaled \$4,278,522. Of the financial institution balances, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held by the City's agent in the City's name.

Investments

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

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

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

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

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

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

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

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

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

The following table includes the portfolio balances of all investment types of the City at September 30, 2024.

Investment Type	Reported Value	Days to Maturity
Primary government:		
Certificate of Deposit	\$ 109,282	43
		Weighted Average
Local Government Investment Pools:		Maturity (Days)
TexPool	266,460	26
TexPool Prime	1,434,500	39
TexSTAR	811,532	29
Logic	<u>1,214,706</u>	42
Total Local Government Investment Pools	<u>3,727,198</u>	
Total primary government	<u>\$ 3,836,480</u>	
Component unit:		
TexSTAR	<u>\$ 281,015</u>	29

Credit Risk - As of September 30, 2024, the LGIPs are rated AAAM by Standard and Poor's or AAA by Finch, while the remainder is invested in fully secured certificates of deposit.

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

B. Receivables

Primary Government

Receivables as of September 30, 2024, for the government's funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Transportation Fund	Enterprise Fund	Total
Receivables:					
Property taxes	\$ 38,053	\$ 8,003	\$ -	\$ -	\$ 46,056
Sales taxes	107,427	-	26,857	-	134,284
Franchise taxes	31,343	-	-	-	31,343
Municipal Court Fines	817,194	-	-	-	817,194
Customer accounts	<u>416</u>	<u>-</u>	<u>27,027</u>	<u>435,998</u>	<u>463,441</u>
Gross receivables	994,433	8,003	53,884	435,998	1,492,318
Less: allowance for uncollectibles	<u>(714,086)</u>	<u>(3,201)</u>	<u>-</u>	<u>(68,894)</u>	<u>(786,181)</u>
Net total receivables	<u>\$ 280,347</u>	<u>\$ 4,802</u>	<u>\$ 53,884</u>	<u>\$ 367,104</u>	<u>\$ 706,137</u>

Discretely Presented Component Unit

The component unit, CCPD, reported a total receivable of \$25,870 on September 30, 2024, for its portion of sales tax receivable. Management considers this balance to be 100% collectable.

C. Capital Assets

A summary of activity for capital assets for the year ended September 30, 2024, follows:

	Balance 9/30/2023	Additions	Deletions	Balance 9/30/2024
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 335,262	\$ -	\$ -	\$ 335,262
Construction in progress	<u>5,960,684</u>	<u>1,117,990</u>	<u>-</u>	<u>7,078,674</u>
Total capital assets, not being depreciated	<u>6,295,946</u>	<u>1,117,990</u>	<u>-</u>	<u>7,413,936</u>
Capital assets being depreciated:				
Buildings	2,012,725	-	-	2,012,725
Equipment, vehicles, furniture, and fixtures	2,945,020	339,056	(89,538)	3,194,538
Infrastructure	<u>10,467,601</u>	<u>-</u>	<u>-</u>	<u>10,467,601</u>
Total capital assets being depreciated	<u>15,425,346</u>	<u>339,056</u>	<u>(89,538)</u>	<u>15,674,864</u>
Less accumulated depreciation for:				
Buildings	(635,010)	(48,438)	-	(683,448)
Equipment, vehicles, furniture, and fixtures	(2,203,537)	(119,817)	89,219	(2,234,135)
Infrastructure	<u>(5,017,588)</u>	<u>(208,806)</u>	<u>-</u>	<u>(5,226,394)</u>
Total accumulated depreciation	<u>(7,856,135)</u>	<u>(377,061)</u>	<u>89,219</u>	<u>(8,143,977)</u>
Total capital assets being depreciated, net	<u>7,569,211</u>	<u>(38,005)</u>	<u>(319)</u>	<u>7,530,887</u>
Governmental activities capital assets, net	<u>\$ 13,865,157</u>	<u>\$ 1,079,985</u>	<u>\$ (319)</u>	<u>\$ 14,944,823</u>

	Balance 9/30/2023	Additions	Deletions	Balance 9/30/2024
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 122,580	\$ -	\$ -	\$ 122,580
Construction in progress	4,682,355	283,914	-	4,966,269
Total capital assets, not being depreciated	<u>4,804,935</u>	<u>283,914</u>	<u>-</u>	<u>5,088,849</u>
Capital assets being depreciated:				
Buildings	193,270	-	-	193,270
Equipment, vehicles, furniture, and fixtures	372,505	-	-	372,505
SBITAs	236,372	-	-	236,372
Infrastructure	11,644,457	-	-	11,644,457
Total capital assets being depreciated	<u>12,446,604</u>	<u>-</u>	<u>-</u>	<u>12,446,604</u>
Less accumulated depreciation for:				
Buildings	(143,912)	(4,594)	-	(148,506)
Equipment, vehicles, furniture, and fixtures	(304,994)	(11,269)	-	(316,263)
SBITAs	(23,572)	(23,572)	-	(47,144)
Infrastructure	(6,634,319)	(260,750)	-	(6,895,069)
Total accumulated depreciation	<u>(7,106,797)</u>	<u>(300,185)</u>	<u>-</u>	<u>(7,406,982)</u>
Total capital assets being depreciated, net	<u>5,339,807</u>	<u>(300,185)</u>	<u>-</u>	<u>5,039,622</u>
Business-type activities				
Capital assets, net	<u>\$ 10,144,742</u>	<u>\$ (16,271)</u>	<u>\$ -</u>	<u>\$ 10,128,471</u>

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

Governmental Activities	
General government	\$ 50,964
Public safety	69,474
Public works	256,623
	<u>377,061</u>
Business-Type Activities	
Water, sewer and sanitation	<u>\$ 300,185</u>

Construction commitments at September 30, 2024, are as follows:

	Authorized Commitment	Expended To Date	Remaining Commitment
Governmental Activities			
Drainage development/improvement	\$ 1,500,000	\$ 1,500,000	\$ -
	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>
Business-Type Activities			
North water plant	\$ 4,072,932	\$ 4,072,932	\$ -
	<u>\$ 4,072,932</u>	<u>\$ 4,072,932</u>	<u>\$ -</u>

D. Long-term Debt

During the year ended September 30, 2024, the following changes occurred in long-term debt:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 4,190,000	\$ -	\$ (255,000)	\$ 3,935,000	\$ 225,000
Certificates of obligation	585,000	-	(55,000)	530,000	60,000
Bond issuance premiums/discounts	413,185	-	(25,735)	387,450	-
Notes payable	173,992	-	(15,052)	158,940	15,648
Financing arrangements	266,206	-	(23,103)	243,103	125,037
Compensated Absences	<u>28,052</u>	<u>68,821</u>	<u>(62,602)</u>	<u>34,271</u>	<u>8,680</u>
Governmental activities long-term debt	<u>\$ 5,656,435</u>	<u>\$ 68,821</u>	<u>\$ (436,492)</u>	<u>\$ 5,288,764</u>	<u>\$ 434,365</u>
Business-Type Activities:					
Bonds payable:					
General obligation bonds	\$ 3,480,000	\$ -	\$ (135,000)	\$ 3,345,000	\$ 135,000
Certificates of obligation	465,000	-	(75,000)	390,000	85,000
Bond issuance premiums/discounts	313,453	-	(12,115)	301,338	-
Financing arrangements	70,987	-	(70,987)	-	-
SBITA	213,145	-	(22,565)	190,580	22,836
Compensated Absences	<u>1,931</u>	<u>17,041</u>	<u>(14,891)</u>	<u>4,081</u>	<u>1,020</u>
Business-type activities long-term debt	<u>\$ 4,544,516</u>	<u>\$ 17,041</u>	<u>\$ (330,558)</u>	<u>\$ 4,230,999</u>	<u>\$ 243,856</u>

General Obligation Bonds/Certificates of Obligation

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

The following is a summary of the terms of obligations of general obligation bonds and certificates of obligation outstanding as of September 30, 2024:

Governmental Activities:

Series	Interest Rate	Original Issue	Maturity Date	Debt Outstanding
General Obligation Bonds:				
Series 2011 general obligation refunding bonds	3.13%	\$ 740,000	2024	\$ -
Series 2019A general obligation	3.00-4.00%	2,780,000	2039	2,115,000
Series 2021 general obligation	3.00%	1,940,000	2031	<u>1,820,000</u>
				<u>3,935,000</u>
Certificates of Obligation:				
Series 2012 certificates of obligation	2.00-3.50%	1,115,000	2032	<u>530,000</u>
				<u>530,000</u>
Total Governmental Activities				<u>\$ 4,465,000</u>

Business-Type Activities:

Series	Interest Rate	Original Issue	Maturity Date	Debt Outstanding
General Obligation Bonds:				
Series 2019B general obligation	2.00-3.50%	\$ 3,750,000	2032	<u>\$ 3,345,000</u>
Certificates of Obligation:				
Series 2004 combination tax and revenue certificates of obligation	3.00-4.00%	9,705,000	2045	40,000
Series 2011 combination tax and revenue certificates of obligation	3.00%-3.20%	770,000	2037	<u>350,000</u>
				<u>390,000</u>
Total Business-Type Activities				<u>\$ 3,735,000</u>

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

Year Ending September 30,	General Obligation Bonds					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 225,000	\$ 128,500	\$ 353,500	\$ 135,000	\$ 128,450	\$ 263,450
2026	225,000	121,750	346,750	135,000	124,400	259,400
2027	230,000	115,000	345,000	135,000	120,350	255,350
2028	230,000	108,100	338,100	130,000	116,300	246,300
2029	235,000	101,200	336,200	135,000	112,400	247,400
2030-2034	1,225,000	376,900	1,601,900	670,000	481,800	1,151,800
2035-2039	1,305,000	154,650	1,459,650	670,000	347,200	1,017,200
2040-2044	260,000	7,800	267,800	665,000	213,400	878,400
2045-2049	-	-	-	670,000	80,200	750,200
	<u>\$ 3,935,000</u>	<u>\$ 1,113,900</u>	<u>\$ 5,048,900</u>	<u>\$ 3,345,000</u>	<u>\$ 1,724,500</u>	<u>\$ 5,069,500</u>

Year Ending September 30,	Certificates of Obligation					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 60,000	\$ 18,550	\$ 78,550	\$ 85,000	\$ 14,755	\$ 99,755
2026	60,000	16,450	76,450	45,000	11,864	56,864
2027	65,000	14,350	79,350	45,000	10,114	55,114
2028	65,000	12,075	77,075	50,000	8,364	58,364
2029	65,000	9,800	74,800	50,000	6,419	56,419
2030-2033	215,000	15,225	230,225	115,000	6,808	121,808
	<u>\$ 530,000</u>	<u>\$ 86,450</u>	<u>\$ 616,450</u>	<u>\$ 390,000</u>	<u>\$ 58,324</u>	<u>\$ 448,324</u>

Notes

During the year ended September 30, 2013, the City received a loan of \$ 300,000 from the First National Bank of Lake Jackson to finance the completion of the City Hall building. Quarterly principal and interest payments of \$5,347 are required with a 3.75% interest rate. The following is the note repayment schedule as of September 30, 2024:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 15,648	\$ 5,741	\$ 21,389
2026	16,243	5,146	21,389
2027	16,860	4,528	21,388
2028	17,502	3,887	21,389
2029	18,167	3,221	21,388
2030-2033	74,520	5,709	80,229
	<u>\$ 158,940</u>	<u>\$ 28,232</u>	<u>\$ 187,172</u>

Financing Arrangements

In January 2014, the Water and Sewer enterprise fund of the City entered into \$600,000 Equipment Lease Purchase Agreement with Green Campus Partners, LLC that is classified as a financed purchase. The interest rate related to the financing arrangement is 3.95% and the maturity date is January 2024.

In November 2017, the General fund of the City entered into \$375,690 Equipment Lease Purchase Agreement with Community First National Bank that is classified as a financed purchase. The interest rate related to the financing arrangement is 3.93% and the maturity date is November 2032.

The following is a schedule showing the future debt service as of September 30, 2024:

Year Ending September 30,	Financing Arrangements		
	Governmental Activities		
	Principal	Interest	Total
2025	\$ 125,037	\$ 38,524	\$ 163,561
2026	118,066	11,920	129,986
	<u>\$ 243,103</u>	<u>\$ 50,444</u>	<u>\$ 293,547</u>

SBITAs

The City has entered into a 120-month agreement for use of Sensus utility software. The City is required to make fixed annual payments of \$25,133. A summary of the City’s long-term SBITA payable as of September 30, 2024, is as follows:

Description	Interest Rate	Initial Year of SBITA	Amount of Initial SBITA Liability	Interest Current Year	Amounts Outstanding 9/30/24
Business-Type Activities					
Utility software	1.21%	2023	\$ 236,371	\$ 2,568	\$ 190,580
Totals				<u>\$ 2,568</u>	<u>\$ 190,580</u>

Annual debt service to maturity is as follows:

Year Ending September 30,	SBITAs		
	Business-Type Activities		
	Principal	Interest	Total
2025	\$ 22,836	\$ 2,297	\$ 25,133
2026	23,112	2,021	25,133
2027	23,390	1,743	25,133
2028	23,672	1,461	25,133
2029	23,957	1,176	25,133
2030-2033	73,613	4,133	77,746
	<u>\$ 190,580</u>	<u>\$ 12,831</u>	<u>\$ 203,411</u>

E. Interfund Receivables, Payables and Transfers

For the year ended September 30, 2024, interfund balances consisted of:

Receivable Fund	Payable Fund	Amount
General fund	Enterprise fund	\$ 9,002
General fund	Nonmajor governmental	<u>1,370</u>
		<u>\$ 10,372</u>

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

For the year ended September 30, 2024, interfund transfers consisted of:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor governmental	General Fund	<u>\$ 5,000</u>

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

F. Joint Operations

The City was involved in a joint venture with the City of Clute for the construction of a sewer plant which provides service to both cities. The joint venture was substantially completed and placed in service as of September 30, 1987. This project was funded by a federal EPA construction grant for waste treatment plant in which the federal portion of qualifying expenditures was 75 percent and the cities portion was 25 percent. Clute’s portion of the 25 percent of qualifying expenditures and all non-qualifying expenditures was 75 percent. The City was responsible for the remaining 25 percent.

In addition, the City is party to an agreement with the City of Clute to share costs associated with the operation of the sewer treatment plant. The percentage for sharing the operating expenses (excludes capital outlay) is determined based upon metered flow. Further, the City shares in 25 percent of maintenance costs (including capital acquisitions). For the year ended September 30, 2024 the City’s portion of these costs amounted to \$350,122.

The cities have contracted with the Brazos River Authority (the “Authority”) as the operator and fiscal agent of the facilities. The Authority holds a reserve balance to cover capital or emergency expenditures. This balance also includes cumulative over-recoveries of costs billed from the cities. As of September 30, 2024, the residual balance amounted to \$60,348. The City’s 25% portion of this balance was \$15,087 and has been reported as an investment in joint venture in the Water, Sewer & Sanitation Fund.

G. Defined Benefit Pension Plan – Texas Municipal Retirement System

Plan Descriptions. The City participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com.

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

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

At retirement, the member’s benefit is calculated based on the sum of the member’s contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The plans also provide death benefits and disability benefits. Effective January 1, 2002, members are vested after 5 years. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

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

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

Employees covered by benefit terms. At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	23
Active employees	<u>23</u>
Total	<u><u>70</u></u>

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. For fiscal year 2024, the City made contributions of 11.87% for the months in 2023 and 12.74% for the months in 2024. The City's contributions to TMRS for the year ended September 30, 2024 were \$195,449, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Pension liabilities have been liquidated in prior years from the General Fund for governmental activities and the Water, Sewer, and Sanitation Fund for the business-type activities.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. 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 in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private Markets	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	100.0%	

Discount Rate. The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 5% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c)
Balance at 12/31/2022	\$ 5,337,264	\$ 4,271,112	\$ 1,066,152
Changes for the year:			
Service cost	191,398	-	191,398
Interest	353,997	-	353,997
Difference between expected and actual experience	(24,663)	-	(24,663)
Change in assumptions	(41,147)	-	(41,147)
Contributions - employer		170,510	(170,510)
Contributions - employee	-	74,071	(74,071)
Net investment income	-	493,798	(493,798)
Benefit payments, including refunds of employee contributions	(377,134)	(377,134)	-
Administrative expense	-	(3,145)	3,145
Other changes	-	(22)	22
Net changes	<u>102,451</u>	<u>358,078</u>	<u>(255,627)</u>
Balance at 12/31/2023	<u>\$ 5,439,715</u>	<u>\$ 4,629,190</u>	<u>\$ 810,525</u>

Sensitivity of the Net Pension Liability

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

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability/(asset) \$	1,521,342	\$ 810,525	\$ 228,280

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2024, the City recognized pension expense of \$213,653.

At September 30, 2024, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	\$ 54,104	\$ 16,932
Differences in projected and actual investment earnings	117,204	28,248
Contributions subsequent to the measurement date	148,718	-
Total	<u>\$ 320,026</u>	<u>\$ 45,180</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$148,718 will be recognized as a reduction of the net pension liability for the measurement year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30,	Net Deferred Outflows (Inflows) of Resources
2025	\$ 64,525
2026	16,905
2027	85,797
2028	(41,099)

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

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

Contributions

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities. Contributions to the pension plan for the year ended September 30, 2024, were \$14,400.

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

Actuarial Assumptions

The total pension liability in the August 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.61%) and by adding expected inflation (3.00%). In addition, the final 7.5% assumption was selected by "rounding down" and thereby reflects a reduction for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equities:		
Large cap domestic	20.0%	5.83%
Small cap domestic	10.0%	5.94%
Developed international	15.0%	6.17%
Emerging markets	5.0%	7.36%
Global Infrastructure	5.0%	6.61%
Real estate	10.0%	4.48%
Multi asset income	5.0%	3.86%
Fixed income	30.0%	1.95%
Cash	0.0%	0.00%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. No projection of cash flows was used to determine the discount rate because the August 31, 2023 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the net pension liability	\$ 242,637	\$ 156,699	\$ 86,995

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

At September 30, 2024, the City reported a liability of \$156,699 for its proportionate share of the TESRS's net pension liability. The net pension liability was measured as of August 31, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to contributions of all participating employers to the plan for the period September 1, 2022 through August 31, 2023.

At August 31, 2023, the employer's proportion of the collective net pension liability was 0.362%, which was an increase of 0.118% when compared to August 31, 2022.

For the year ended September 30, 2024, the City's pension expense was \$37,078. At September 30, 2024, the City reported its proportionate share of the TESRS's deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 2,289	\$ -
Difference between projected and actual investment earnings	46,882	-
Changes in assumptions	-	302
Contributions paid to TESRS subsequent to the measurement date	<u>17,270</u>	<u>-</u>
Total	<u>\$ 66,441</u>	<u>\$ 302</u>

\$17,270 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For the Year Ended September 30</u>	
2025	\$ 12,292
2026	12,764
2027	22,211
2028	1,602

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

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

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>23</u>
Total	<u><u>44</u></u>

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.15% for 2023 and 0.15% for 2024, respectively, represent the retiree-only portion for each year as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the year ended September 30, 2024 was \$5,611, representing contributions for both active and retiree coverage, which equaled the required contributions for the year.

Actuarial Assumptions. The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Measurement year ended December 31,	2023
Inflation rate	2.50% per annum
Discount rate	3.77%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.60% to 11.85% including inflation

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

Salary increases were based on a service-related table.

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 107.5% and female rates multiplied by 107.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 107.5% and female rates multiplied by 107.5% with a 3-year set-forward for both males and females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2023, valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.77% was used to measure the Total OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2023.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.05%) in measuring the Total Liability.

	<u>1% Decrease in Discount Rate (2.77%)</u>	<u>Discount Rate (3.77%)</u>	<u>1% Increase in Discount Rate (4.77%)</u>
Total OPEB Liability	\$ 106,747	\$ 89,771	\$ 76,548

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2024, the City reported a liability of \$89,771 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2023. For the year ended September 30, 2024, the City recognized OPEB expense of \$4,917. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

	<u>Total OPEB Liability</u>
Balance at 12/31/2022	\$ 79,933
Changes for the year:	
Service cost	4,296
Interest	3,279
Difference between expected and actual experience	(427)
Changes in assumptions or other inputs	4,912
Benefit payments	<u>(2,222)</u>
Net changes	<u>9,838</u>
Balance at 12/31/2023	<u>\$ 89,771</u>

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

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in expected and actual experience	\$ 421	\$ 4,625
Changes in actuarial assumptions	14,728	23,014
Contributions subsequent to the measurement date	<u>1,802</u>	<u>-</u>
Total	<u>\$ 16,951</u>	<u>\$ 27,639</u>

\$1,802 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2025. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	
2025	\$ (2,073)
2026	(5,880)
2027	(5,352)
2028	815

J. Commitments and Contingencies

Federal Grants

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any, will be immaterial.

Litigation

As of September 30, 2024, the City was involved in pending litigation. As of February 10, 2025, the date the financial statements were available to be issued, the City was finalizing negotiations to settle with the counterparty. Management expects that the settlement will obligate the City to pay \$85,000 in three equal annual payments in fiscal years 2025 through 2027. This claim payable has been reported as a long-term liability in the government-wide financial statements equaling \$85,000 as of September 30, 2024.

K. Risk Pool Participation

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City has not had any significant reductions in insurance coverage in the prior year. The City also has commercial insurers covering health and workers compensation claims.

L. Economic Development Agreements

On January 26, 2016, the City entered into an Economic Development Agreement with Jerry Crawford ("Crawford") in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, Crawford is expected to operate and continue an existing business at the property known as Crawford's Furniture and Appliance, Inc. and the City agrees to provide Crawford an economic incentive for the period of ten years commencing with payment of ad valorem taxes on the property by Crawford. For the year ending September 30, 2024, no rebate payments were made under this agreement.

On April 10, 2017, the City entered into an Economic Development Agreement with Big Kountry Shooting, LLC ("BKS") in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, BKS is expected to construct and operate an indoor shooting range within the city limits of the City and the City agrees to provide BKS an economic incentive for the period of two years commencing with payment of ad valorem taxes on the property by BKS. For the year ending September 30, 2024, no rebate payments were made by the City.

M. New Accounting Standards

Significant new accounting standards issued by the GASB not yet implemented by the City include the following:

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

N. SUBSEQUENT EVENT

As described in Note J, the City was involved in pending litigation as of September 30, 2024. Subsequent to year-end, settlement negotiations progressed to the extent that management considers it probable that the City will settle for \$85,000 payable in three annual installments beginning in 2025. Thus, management has recognized a claims liability in the government-wide financial statements for that amount as of September 30, 2024.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF RICHWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 2,209,188	\$ 2,209,188	\$ 2,170,138	\$ (39,050)
Sales taxes	640,000	640,000	695,053	55,053
Franchise taxes	196,000	196,000	175,683	(20,317)
Licenses and permits	54,000	54,000	72,691	18,691
Intergovernmental revenues	2,100	2,100	12,941	10,841
Charges for services	173,152	173,152	173,895	743
Fines and forfeitures	130,150	130,150	81,943	(48,207)
Investments earnings	50,000	50,000	187,354	137,354
Miscellaneous	10,050	10,050	40,256	30,206
Total revenues	<u>3,464,640</u>	<u>3,464,640</u>	<u>3,609,954</u>	<u>145,314</u>
EXPENDITURES				
Current:				
General government	925,103	1,967,074	2,060,411	(93,337)
Judicial	100,611	100,611	74,620	25,991
Public safety	1,571,341	1,571,341	1,466,103	105,238
Public works	251,534	516,631	580,767	(64,136)
Culture and recreation	57,700	57,700	50,432	7,268
Capital outlay	-	-	-	-
Debt service:				
Principal	23,101	23,103	23,103	-
Interest	9,611	9,609	9,609	-
Total expenditures	<u>2,939,001</u>	<u>4,246,069</u>	<u>4,265,045</u>	<u>(18,976)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>525,639</u>	<u>(781,429)</u>	<u>(655,091)</u>	<u>126,338</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>38,003</u>	<u>43,003</u>
NET CHANGE IN FUND BALANCE BUDGET BASIS	<u>\$ 520,639</u>	<u>\$ (786,429)</u>	<u>(617,088)</u>	<u>\$ 169,341</u>
Federal grant revenues not included in budget			987,171	
Expenditures related to federal grants not included in budget			<u>(853,001)</u>	
NET CHANGE IN FUND BALANCE GAAP BASIS			(482,918)	
FUND BALANCE - BEGINNING			<u>2,872,677</u>	
FUND BALANCE - ENDING			<u>\$ 2,389,759</u>	

The accompanying notes are an integral part of this schedule.

CITY OF RICHWOOD, TEXAS

SCHEDULE OF CHANGES IN TMRS NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement period ended December 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
A. Total pension liability				
Service Cost	\$ 191,398	\$ 180,636	\$ 173,568	\$ 188,054
Interest (on the Total Pension Liability)	353,997	330,683	309,816	296,183
Difference between expected and actual experience	(24,663)	154,588	85,349	(23,849)
Changes in assumptions	(41,147)	-	-	-
Benefit payments, including refunds of employee contributions	(377,134)	(274,656)	(251,594)	(250,776)
Net change in total pension liability	102,451	391,251	317,139	209,612
Total pension liability - beginning	<u>5,337,264</u>	<u>4,946,013</u>	<u>4,628,874</u>	<u>4,419,262</u>
Total pension liability - ending (a)	<u>5,439,715</u>	<u>5,337,264</u>	<u>4,946,013</u>	<u>4,628,874</u>
B. Plan fiduciary net position				
Contributions - Employer	170,510	157,680	149,020	162,019
Contributions - Employee	74,071	70,123	66,706	73,059
Net Investment Income	493,798	(339,728)	541,319	294,161
Benefit payments, including refunds of employee contributions	(377,134)	(274,656)	(251,594)	(250,776)
Administrative Expenses	(3,145)	(2,942)	(2,506)	(1,905)
Other	<u>(22)</u>	<u>3,510</u>	<u>17</u>	<u>(74)</u>
Net change in plan fiduciary net position	358,078	(386,013)	502,962	276,484
Plan fiduciary net position - beginning	<u>4,271,112</u>	<u>4,657,125</u>	<u>4,154,163</u>	<u>3,877,679</u>
Plan fiduciary net position - ending (b)	<u>4,629,190</u>	<u>4,271,112</u>	<u>4,657,125</u>	<u>4,154,163</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 810,525</u>	<u>\$ 1,066,152</u>	<u>\$ 288,888</u>	<u>\$ 474,711</u>
D. Plan fiduciary net position as a percentage of total pension liability	85.10%	80.02%	94.16%	89.74%
E. Covered payroll	\$ 1,481,411	\$ 1,402,454	\$ 1,334,112	\$ 1,461,184
F. Net position liability as a percentage of covered payroll	54.71%	76.02%	21.65%	32.49%

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

	2019	2018	2017	2016	2015	2014
\$	166,651	\$ 161,877	\$ 167,945	\$ 137,179	\$ 123,074	\$ 115,123
	278,580	266,648	253,787	242,051	236,704	225,550
	29,889	(12,233)	5,669	8,654	(43,807)	(98,725)
	27,128	-	-	-	31,743	-
	(253,538)	(230,291)	(237,383)	(221,402)	(79,218)	(93,958)
	248,710	186,001	190,018	166,482	268,496	147,990
	<u>4,170,552</u>	<u>3,984,551</u>	<u>3,794,533</u>	<u>3,628,051</u>	<u>3,359,555</u>	<u>3,211,565</u>
	<u>4,419,262</u>	<u>4,170,552</u>	<u>3,984,551</u>	<u>3,794,533</u>	<u>3,628,051</u>	<u>3,359,555</u>
	142,406	140,268	147,798	118,168	121,452	108,286
	64,444	62,452	65,747	53,711	50,690	46,276
	525,618	(105,905)	433,788	201,477	4,259	152,992
	(253,538)	(230,291)	(237,383)	(221,402)	(79,218)	(93,958)
	(2,972)	(2,048)	(2,248)	(2,275)	(2,594)	(1,597)
	<u>(88)</u>	<u>(107)</u>	<u>(114)</u>	<u>(123)</u>	<u>(128)</u>	<u>(131)</u>
	475,870	(135,631)	407,588	149,556	94,461	211,868
	<u>3,401,809</u>	<u>3,537,440</u>	<u>3,129,852</u>	<u>2,980,296</u>	<u>2,885,835</u>	<u>2,673,967</u>
	<u>3,877,679</u>	<u>3,401,809</u>	<u>3,537,440</u>	<u>3,129,852</u>	<u>2,980,296</u>	<u>2,885,835</u>
\$	<u>541,583</u>	<u>768,743</u>	<u>447,111</u>	<u>664,681</u>	<u>647,755</u>	<u>473,720</u>
	87.74%	81.57%	88.78%	82.48%	82.15%	85.90%
\$	1,288,873	\$ 1,249,049	\$ 1,314,122	\$ 1,074,228	\$ 1,013,793	\$ 925,514
	42.02%	61.55%	34.02%	61.88%	63.89%	51.18%

CITY OF RICHWOOD, TEXAS

TMRS SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Fiscal year ended September 30,	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarial determined contribution	\$ 195,449	\$ 173,930	\$ 151,746	\$ 151,428
Contributions in relation to the actuarially determined contribution	<u>195,449</u>	<u>173,930</u>	<u>151,746</u>	<u>151,428</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,558,531	\$ 1,477,805	\$ 1,351,001	\$ 1,357,850
Contributions as a percentage of covered payroll	12.54%	11.77%	11.23%	11.15%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.5%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes There were no benefit changes during the year.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 159,216	\$ 140,268	\$ 138,416	\$ 139,288	\$ 121,859
<u>159,216</u>	<u>140,268</u>	<u>138,416</u>	<u>139,288</u>	<u>121,859</u>
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,436,761	\$ 1,319,523	\$ 1,231,122	\$ 1,244,815	\$ 1,084,021
11.08%	10.63%	11.24%	11.19%	11.24%

CITY OF RICHWOOD, TEXAS

**SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY - TESRS**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement Date August 31,	2023	2022	2021
City's proportion of the net pension liability	0.362%	0.244%	0.247%
City's proportionate share of the net pension liability	\$ 156,699	\$ 100,113	\$ 26,464
Plan fiduciary net position as a percentage of the total	74.60%	75.20%	93.10%

SCHEDULE OF CITY'S TESRS CONTRIBUTIONS

Fiscal year ended September 30,	2024	2023	2022
Contractually required contribution	\$ 14,400	\$ 11,880	\$ 11,880
Contributions in relation to the contractually required contribution	(14,400)	(11,880)	(11,880)
Contribution deficiency (excess)	-	-	-

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

2020	2019	2017	2016	2015	2014
0.241%	0.245%	0.222%	0.164%	0.177%	0.192%
\$ 60,758	\$ 69,447	\$ 53,284	\$ 47,770	\$ 47,246	\$ 34,890
83.20%	80.20%	81.40%	76.30%	76.90%	83.50%

2021	2020	2018	2017	2016	2015
\$ 11,880	\$ 11,220	\$ 12,868	\$ 13,725	\$ 7,500	\$ 7,800
(11,880)	(11,220)	(12,868)	(13,725)	(7,500)	(7,800)
-	-	-	-	-	-

CITY OF RICHWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement period ended December 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>
A. Total OPEB liability			
Service Cost	\$ 4,296	\$ 5,750	\$ 4,936
Interest (on the Total OPEB Liability)	3,279	2,190	2,166
Changes of assumptions	4,912	(39,862)	3,812
Difference between expected and actual experience	(427)	(3,605)	863
Benefit payments, including refunds of employee contributions	<u>(2,222)</u>	<u>(1,402)</u>	<u>(1,468)</u>
Net change in Total OPEB liability	9,838	(36,929)	10,309
Total OPEB liability - beginning	<u>79,933</u>	<u>116,862</u>	<u>106,553</u>
Total OPEB liability - ending (a)	<u>89,771</u>	<u>79,933</u>	<u>116,862</u>
B. Covered-employee payroll	\$ 1,481,411	\$ 1,402,454	\$ 1,334,112
C. Total OPEB liability as a percentage of covered-employee payroll	6.06%	5.70%	8.76%

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

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

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

The following are the discount rates used in each period:

2023	3.77%
2022	4.05%
2021	1.84%
2020	2.00%
2019	2.75%
2018	3.71%

2020	2019	2018	2017
\$ 4,091	\$ 2,707	\$ 2,248	\$ 2,103
2,334	2,394	2,226	2,170
25,399	14,515	(4,862)	5,816
(7,874)	436	(2,177)	-
<u>(438)</u>	<u>(387)</u>	<u>(375)</u>	<u>(263)</u>
23,512	19,665	(2,940)	9,826
<u>83,041</u>	<u>63,376</u>	<u>66,316</u>	<u>56,490</u>
<u>106,553</u>	<u>83,041</u>	<u>63,376</u>	<u>66,316</u>
\$ 1,461,184	\$ 1,288,873	\$ 1,249,049	\$ 1,314,122
7.29%	6.44%	5.07%	5.05%

CITY OF RICHWOOD, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Budgetary Information

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

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

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

The City prepares its annual budget on a budgetary basis of accounting. This basis mirrors generally accepted accounting principles (GAAP) except that revenues and expenditures are not recognized for reimbursement-based federal grants. The budget and all transactions are presented in accordance with the City's budget basis in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General and Transportation funds to provide a meaningful comparison of actual results with the budget.

Excess of Expenditures over Appropriations

During fiscal year 2024, expenditures exceeded appropriations in the General Fund by \$18,976 due to final accruals of expenditures being completed subsequent to the final budget amendments. This overage was funded by greater than expected revenues.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

CITY OF RICHWOOD, TEXAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	Special Revenue Funds			Total Non-Major Governmental Funds
	Beautification Fund	Court Security Fund	Court Technology Fund	
ASSETS				
Cash and cash equivalents	\$ 52,928	\$ 14,139	\$ 9,599	\$ 76,666
Total assets	<u>52,928</u>	<u>14,139</u>	<u>9,599</u>	<u>76,666</u>
LIABILITIES				
Accounts payable	747	-	-	747
Due to other funds	1,370	-	-	1,370
Total Liabilities	<u>2,117</u>	<u>-</u>	<u>-</u>	<u>2,117</u>
FUND BALANCES				
Restricted for:				
Beautification	50,811	-	-	50,811
Court security and technology	-	14,139	9,599	23,738
Total fund balances	<u>50,811</u>	<u>14,139</u>	<u>9,599</u>	<u>74,549</u>
Total liabilities and fund balances	<u>\$ 52,928</u>	<u>\$ 14,139</u>	<u>\$ 9,599</u>	<u>\$ 76,666</u>

CITY OF RICHWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Special Revenue Funds			Total Non-Major Governmental Funds
	Beautification Fund	Court Security Fund	Court Technology Fund	
REVENUES				
Fines and forfeitures	\$ -	\$ 2,977	\$ 2,408	\$ 5,385
Contributions	14,956	-	-	14,956
Miscellaneous	1,100	-	-	1,100
Total revenues	<u>16,056</u>	<u>2,977</u>	<u>2,408</u>	<u>21,441</u>
EXPENDITURES				
Current:				
Culture and recreation	10,039	-	-	10,039
Judicial	-	9,578	3,343	12,921
Total expenditures	<u>10,039</u>	<u>9,578</u>	<u>3,343</u>	<u>22,960</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,017</u>	<u>(6,601)</u>	<u>(935)</u>	<u>(1,519)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	-	-	5,000
Total other financing sources (uses)	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
NET CHANGE IN FUND BALANCE	11,017	(6,601)	(935)	3,481
FUND BALANCE - BEGINNING	<u>39,794</u>	<u>20,740</u>	<u>10,534</u>	<u>71,068</u>
FUND BALANCE - ENDING	<u>\$ 50,811</u>	<u>\$ 14,139</u>	<u>\$ 9,599</u>	<u>\$ 74,549</u>

CITY OF RICHWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 494,105	\$ 494,105	\$ 484,574	\$ (9,531)
Investment earnings	300	300	2,527	2,227
Total revenues	<u>494,405</u>	<u>494,405</u>	<u>487,101</u>	<u>(7,304)</u>
EXPENDITURES				
Debt service:				
Principal	325,074	325,074	325,052	22
Interest	165,030	165,030	165,603	(573)
Total expenditures	<u>490,104</u>	<u>490,104</u>	<u>490,655</u>	<u>(551)</u>
NET CHANGE IN FUND BALANCE	<u>4,301</u>	<u>4,301</u>	<u>(3,554)</u>	<u>(7,855)</u>
FUND BALANCE - BEGINNING	<u>8,357</u>	<u>8,357</u>	<u>8,357</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 12,658</u>	<u>\$ 12,658</u>	<u>\$ 4,803</u>	<u>\$ (7,855)</u>

CITY OF RICHWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Contributions	\$ 15,500	\$ 15,500	\$ 14,956	\$ (544)
Miscellaneous	-	-	1,100	1,100
Total revenues	<u>15,500</u>	<u>15,500</u>	<u>16,056</u>	<u>556</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>14,395</u>	<u>14,395</u>	<u>10,039</u>	<u>4,356</u>
Total expenditures	<u>14,395</u>	<u>14,395</u>	<u>10,039</u>	<u>4,356</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,105</u>	<u>1,105</u>	<u>6,017</u>	<u>4,912</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	6,105	6,105	11,017	4,912
FUND BALANCE - BEGINNING	<u>39,794</u>	<u>39,794</u>	<u>39,794</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 45,899</u>	<u>\$ 45,899</u>	<u>\$ 50,811</u>	<u>\$ 4,912</u>

CITY OF RICHWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charge for services	142,500	142,500	173,694	31,194
Sales tax	160,000	160,000	144,304	(15,696)
Investment earnings	2,000	2,000	18,943	16,943
Total revenues	<u>304,500</u>	<u>304,500</u>	<u>336,941</u>	<u>32,441</u>
EXPENDITURES				
Current:				
Public works	302,500	302,500	80,033	222,467
Capital outlay	-	224,303	264,989	(40,686)
Total expenditures	<u>302,500</u>	<u>526,803</u>	<u>345,022</u>	<u>181,781</u>
NET CHANGE IN FUND BALANCE	<u>2,000</u>	<u>(222,303)</u>	<u>(8,081)</u>	<u>214,222</u>
FUND BALANCE - BEGINNING	<u>399,633</u>	<u>399,633</u>	<u>399,633</u>	<u>-</u>
FUND BALANCE - ENDING	<u>401,633</u>	<u>177,330</u>	<u>391,552</u>	<u>214,222</u>

CITY OF RICHWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 4,000	\$ 4,000	\$ 2,977	\$ (1,023)
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>2,977</u>	<u>(1,023)</u>
EXPENDITURES				
Current:				
Judicial	<u>2,000</u>	<u>9,578</u>	<u>9,578</u>	<u>-</u>
Total expenditures	<u>2,000</u>	<u>9,578</u>	<u>9,578</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	2,000	(5,578)	(6,601)	(1,023)
FUND BALANCE - BEGINNING	<u>20,740</u>	<u>20,740</u>	<u>20,740</u>	<u>-</u>
FUND BALANCE - ENDING	\$ <u>22,740</u>	\$ <u>15,162</u>	\$ <u>14,139</u>	\$ <u>(1,023)</u>

CITY OF RICHWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 3,400	\$ 3,400	\$ 2,408	\$ (992)
Total revenues	<u>3,400</u>	<u>3,400</u>	<u>2,408</u>	<u>(992)</u>
EXPENDITURES				
Current:				
Judicial	<u>2,000</u>	<u>2,000</u>	<u>3,343</u>	<u>(1,343)</u>
Total expenditures	<u>2,000</u>	<u>2,000</u>	<u>3,343</u>	<u>(1,343)</u>
NET CHANGE IN FUND BALANCE	1,400	1,400	(935)	(2,335)
FUND BALANCE - BEGINNING	<u>10,534</u>	<u>10,534</u>	<u>10,534</u>	<u>-</u>
FUND BALANCE - ENDING	\$ <u>11,934</u>	\$ <u>11,934</u>	\$ <u>9,599</u>	\$ <u>(2,335)</u>

CITY OF RICHWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services:				
Water fees	\$ 1,452,567	\$ 1,452,567	\$ 1,430,203	\$ (22,364)
Sewer fees	978,904	978,904	1,001,862	22,958
Garbage fees	381,000	381,000	373,343	(7,657)
Delinquent charges	34,500	34,500	38,880	4,380
Tap and reconnect fees	17,400	17,400	27,320	9,920
Miscellaneous	21,000	21,000	26,765	5,765
Total operating revenues	<u>2,885,371</u>	<u>2,885,371</u>	<u>2,898,373</u>	<u>13,002</u>
OPERATING EXPENSES				
Personnel services	475,572	475,572	486,159	(10,587)
Materials and supplies	40,300	40,300	61,383	(21,083)
Maintenance and repair	210,260	210,260	269,345	(59,085)
Contractual services	763,400	763,400	471,388	292,012
Water purchases	355,000	355,000	378,754	(23,754)
Refuse collection	290,000	290,000	345,932	(55,932)
Sewer treatment plant operations	335,000	335,000	620,196	(285,196)
Depreciation	300,000	300,000	300,185	(185)
Total operating expenses	<u>2,769,532</u>	<u>2,769,532</u>	<u>2,933,342</u>	<u>(163,810)</u>
OPERATING INCOME	<u>115,839</u>	<u>115,839</u>	<u>(34,969)</u>	<u>(150,808)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment earnings	2,500	2,500	29,995	27,495
Interest expense	(154,994)	(154,994)	(147,193)	7,801
Total nonoperating revenues (expenses)	<u>(152,494)</u>	<u>(152,494)</u>	<u>(117,198)</u>	<u>35,296</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>(36,655)</u>	<u>(36,655)</u>	<u>(152,167)</u>	<u>(115,512)</u>
Capital contributions	<u>-</u>	<u>-</u>	<u>28,968</u>	<u>28,968</u>
CHANGE IN NET POSITION	<u>(36,655)</u>	<u>(36,655)</u>	<u>(123,199)</u>	<u>(86,544)</u>
TOTAL NET POSITION - BEGINNING	<u>6,861,986</u>	<u>6,861,986</u>	<u>6,861,986</u>	<u>-</u>
TOTAL NET POSITION - ENDING	<u>\$ 6,825,331</u>	<u>\$ 6,825,331</u>	<u>\$ 6,738,787</u>	<u>\$ (86,544)</u>

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