

CITY OF ROLLINGWOOD, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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CITY OF ROLLINGWOOD, TEXAS

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rollingwood, Texas, (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Rollingwood, Texas, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2021, on our consideration of the City of Rollingwood, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rollingwood, Texas' internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas
February 17, 2021



CITY OF ROLLINGWOOD, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2020

As management of the City of Rollingwood, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2020 by \$4,218,493. Of this amount \$2,069,536 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total cost of all City activities was \$5,137,047 for the fiscal year. The net expense after charges for services and operating contributions was \$2,116,078.
- During the year, the City's general fund revenues exceeded expenditures by \$21,557.
- At September 30, 2020 the City's governmental funds reported combined ending fund balances of \$3,511,858, a net increase of \$2,258,431. This increase is due mainly to the issuance of tax notes in the amount of \$2,065,000.
- At September 30, 2020 the unassigned fund balance for the general fund was \$1,398,839 or 57% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The City maintained eight (8) individual governmental funds during the 2020 fiscal year. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund and debt service fund which are considered to be major funds. Data from the other six (6) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$4,218,493 (net position). Of this amount, \$2,069,536 (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors.

The largest portion of the City's net position (44.5%) reflects its net investment in capital assets (i.e., land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (6.5%) represents resources that are subject to external restrictions on how they may be used.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 3,831,045	\$ 1,605,141	\$ 1,485,331	\$ 1,427,429	\$ 5,316,376	\$ 3,032,570
Capital assets	2,587,424	2,627,783	12,332,812	12,747,932	14,920,236	15,375,715
Total assets	<u>6,418,469</u>	<u>4,232,924</u>	<u>13,818,143</u>	<u>14,175,361</u>	<u>20,236,612</u>	<u>18,408,285</u>
Deferred outflows of resources	<u>107,498</u>	<u>187,728</u>	<u>33,948</u>	<u>59,284</u>	<u>141,446</u>	<u>247,012</u>
Liabilities:						
Current liabilities	703,709	449,218	804,518	779,990	1,508,227	1,229,208
Long-term liabilities	<u>3,448,689</u>	<u>1,966,902</u>	<u>11,024,641</u>	<u>11,563,060</u>	<u>14,473,330</u>	<u>13,529,962</u>
Total liabilities	<u>4,152,398</u>	<u>2,416,120</u>	<u>11,829,159</u>	<u>12,343,050</u>	<u>15,981,557</u>	<u>14,759,170</u>
Deferred inflows of resources	<u>135,286</u>	<u>24,358</u>	<u>42,722</u>	<u>7,692</u>	<u>178,008</u>	<u>32,050</u>
Net position:						
Net investment in capital assets	951,160	964,869	924,010	920,981	1,875,170	1,885,850
Restricted	273,787	221,332	-	-	273,787	221,332
Unrestricted	<u>1,013,336</u>	<u>793,973</u>	<u>1,056,200</u>	<u>962,922</u>	<u>2,069,536</u>	<u>1,756,895</u>
Total net position	<u>\$ 2,238,283</u>	<u>\$ 1,980,174</u>	<u>\$ 1,980,210</u>	<u>\$ 1,883,903</u>	<u>\$ 4,218,493</u>	<u>\$ 3,864,077</u>

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

Governmental activities – Governmental activities increased the City's net position by \$258,109.

A key element is as follows:

- An increase in property tax revenue.

Business-type activities – Business-type activities increased the City’s net position by \$96,307.

The following table indicates changes in net position for the governmental and business-type activities for the City as of September 30, 2020.

CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues						
Charges for services	\$ 418,296	\$ 442,073	\$ 1,875,774	\$ 2,024,631	\$ 2,294,070	\$ 2,466,704
Operating contributions	94,253	6,808	-	-	94,253	6,808
General revenues						
Property taxes	2,153,098	2,011,210	-	-	2,153,098	2,011,210
Sales taxes	789,120	814,083	-	-	789,120	814,083
Franchise taxes	145,394	158,224	-	-	145,394	158,224
Unrestricted investment earnings	2,208	4,075	3,523	8,272	5,731	12,347
Other income	9,797	3,500	-	-	9,797	3,500
Total revenues	3,612,166	3,439,973	1,879,297	2,032,903	5,491,463	5,472,876
Expenses:						
General government	631,532	793,026	-	-	631,532	793,026
Public works	43,803	19,420	-	-	43,803	19,420
Sanitation	141,391	147,742	-	-	141,391	147,742
Public safety	1,099,467	1,004,544	-	-	1,099,467	1,004,544
Court	105,336	117,692	-	-	105,336	117,692
Parks and recreation	136,704	129,681	-	-	136,704	129,681
Streets	185,472	241,717	-	-	185,472	241,717
Development services	174,360	40,858	-	-	174,360	40,858
Interest	110,562	51,736	-	-	110,562	51,736
Water	-	-	1,231,638	1,204,670	1,231,638	1,204,670
Wastewater	-	-	1,276,782	1,467,076	1,276,782	1,467,076
Total expenses	2,628,627	2,546,416	2,508,420	2,671,746	5,137,047	5,218,162
Increase (decrease) in net position before transfers						
	983,539	893,557	(629,123)	(638,843)	354,416	254,714
Transfers	(725,430)	(725,759)	725,430	725,759	-	-
Change in net position	258,109	167,798	96,307	86,916	354,416	254,714
Net position - beginning	1,980,174	1,812,376	1,883,903	1,811,487	3,864,077	3,623,863
Restatement of net position	-	-	-	(14,500)	-	(14,500)
Net position - ending	\$ 2,238,283	\$ 1,980,174	\$ 1,980,210	\$ 1,883,903	\$ 4,218,493	\$ 3,864,077

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,511,858, an increase of \$2,258,431 from the prior year. This increase is due primarily to an increase in property tax revenue and the issuance of tax notes in the amount of \$2,065,000.

Approximately 35% of this total amount, \$1,234,866, constitutes fund balance which is available for spending at the government's discretion. The remainder fund balance of \$2,276,992 or 65% is non-spendable or restricted as to use.

The City's general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$1,398,839. The unassigned fund balance represents 57% of total general fund expenditures. The fund balance of the City's general fund increased by \$2,278,777 during the current fiscal year.

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

Unrestricted net position of the proprietary funds at the end of the current fiscal year amounted to \$1,056,200. The total increase for the funds was \$96,307.

GENERAL FUND BUDGETARY HIGHLIGHTS

General fund – Actual fiscal year expenditures in the general fund were \$79,760 less than the final budgeted amounts or appropriations. The fiscal year 2020 budget was amended from the original budget adopted by Council.

The major difference between the original and final budget was:

- \$40,706 – budget increase in general government services.
- \$20,000 – budget increase for capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020 amounted to \$14,920,236 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, infrastructure, and construction in progress. The net decrease in the City's investment in capital assets for the current fiscal year was 3% due mainly to depreciation.

The following table shows capital asset activity for the 2020 fiscal year compared to 2019. If more detailed information is desired on the City's capital asset activity, please refer to note 4 as presented in the notes to the financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital assets-not depreciated						
Land	\$ 321,438	\$ 321,438	\$ -	\$ -	\$ 321,438	\$ 321,438
Construction in progress	-	-	-	11,955	-	11,955
Total capital assets - not depreciated	<u>321,438</u>	<u>321,438</u>	<u>-</u>	<u>11,955</u>	<u>321,438</u>	<u>333,393</u>
Capital assets-depreciated						
Buildings and improvements	721,038	721,038	41,280	-	762,318	721,038
Equipment	920,588	814,625	129,634	129,634	1,050,222	944,259
Infrastructure	2,215,866	2,215,866	16,794,455	16,794,453	19,010,321	19,010,319
Total capital assets - depreciated	<u>3,857,492</u>	<u>3,751,529</u>	<u>16,965,369</u>	<u>16,924,087</u>	<u>20,822,861</u>	<u>20,675,616</u>
Less: accumulated depreciation						
Buildings and improvements	(245,367)	(228,961)	-	-	(245,367)	(228,961)
Equipment	(697,466)	(653,917)	(96,355)	(83,733)	(793,821)	(737,650)
Infrastructure	<u>(648,673)</u>	<u>(562,306)</u>	<u>(4,536,202)</u>	<u>(4,092,422)</u>	<u>(5,184,875)</u>	<u>(4,654,728)</u>
Total accumulated depreciation	<u>(1,591,506)</u>	<u>(1,445,184)</u>	<u>(4,632,557)</u>	<u>(4,176,155)</u>	<u>(6,224,063)</u>	<u>(5,621,339)</u>
Total capital assets - net	<u>\$ 2,587,424</u>	<u>\$ 2,627,783</u>	<u>\$ 12,332,812</u>	<u>\$ 12,759,887</u>	<u>\$ 14,920,236</u>	<u>\$ 15,387,670</u>

Long-term liabilities – At the end of the current fiscal year, the City had total bonded debt outstanding of \$14,400,000. Additional information on liabilities may be found in note 9 of this report as presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Rollingwood has historically maintained a solid economy and continues to exhibit strong fundamentals. The City, with an estimated population of 1,500 is a 0.8-square mile landlocked community in Travis County, directly adjacent to southwest Austin. It is in the Austin-Round Rock MSA, which boasts a broad and diverse economy. Austin-Round Rock MSA one of the fastest growing among the top 50 metropolitan areas in the nation.

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

The outbreak of the respiratory disease COVID-19 was characterized in early 2020 as a pandemic by the World Health Organization and continues to have negative effects on the economy in many parts of the world, including the United States, Texas, and the Austin area. For example, the City experienced a small decline in sales tax revenues in 2020 partially attributable to restrictions imposed on businesses which were implemented as a result of the national and statewide emergency declarations. While the City has historically practiced conservative budgetary practices, City officials are planning for continued strains on revenues in order to adapt to the uncertainty surrounding the pandemic and its impacts on the broader economy.

Despite the pandemic's effects on the State and national economy, commercial development continues in the Austin-Round Rock MSA resulting in additional job growth and opportunity. Major tech companies continue their drive for operational expansion and the Austin market has emerged as an attractive destination for the tech industry. City leadership is developing plans to maximize the potential of its existing commercial corridor.

While the COVID-19 outbreak continues to present uncertainty and strains on the budget, City officials are hopeful that regional growth patterns and sound budgetary practices will allow Rollingwood to thrive despite challenges affecting the State and broader economy.

REQUESTS FOR INFORMATION

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



BASIC FINANCIAL STATEMENTS

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

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

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



CITY OF ROLLINGWOOD, TEXAS

STATEMENT OF NET POSITION

September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 3,549,738	\$ 1,234,177	\$ 4,783,915	\$ 405,360
Accounts receivable-net of allowances for uncollectibles:				
Property taxes	48,683	-	48,683	-
Other	232,624	251,154	483,778	11,796
Prepaid items	-	-	-	-
Capital assets:				
Land	321,438	-	321,438	-
Buildings and improvements	475,671	-	475,671	-
Water distribution system	-	2,489,500	2,489,500	-
Wastewater system	-	9,674,427	9,674,427	-
Wastewater system-connections	-	94,326	94,326	-
Equipment	223,122	33,279	256,401	-
Infrastructure	1,567,193	-	1,567,193	-
Wastewater system-building improvements	-	41,280	41,280	-
Total assets	6,418,469	13,818,143	20,236,612	417,156
Deferred outflows of resources - OPEB	9,944	3,140	13,084	-
Deferred outflows of resources - pension	97,554	30,808	128,362	-
Total deferred outflows of resources	107,498	33,948	141,446	-
Liabilities:				
Accounts payable	191,522	118,559	310,081	107,113
Accrued interest payable	8,511	65,535	74,046	-
Accrued expenses	31,298	2,899	34,197	-
Unearned revenue	47,684	323	48,007	-
Compensated absences	59,069	18,196	77,265	-
Noncurrent liabilities:				
Payable from restricted assets -				
Customer deposits	-	159,631	159,631	-
Net pension liability	130,261	41,134	171,395	-
OPEB liability	44,584	14,080	58,664	-
Due within one year	365,625	439,375	805,000	-
Due in more than one year	3,273,844	10,969,427	14,243,271	-
Total liabilities	4,152,398	11,829,159	15,981,557	107,113
Deferred inflows of resources - pension	133,751	42,238	175,989	-
Deferred inflows of resources - OPEB	1,535	484	2,019	-
Total deferred inflows of resources	135,286	42,722	178,008	-
Net position:				
Net investment in capital assets	951,160	924,010	1,875,170	-
Restricted for:				
Street maintenance	247,118	-	247,118	-
Municipal court	23,354	-	23,354	-
Police department	3,315	-	3,315	-
Unrestricted net position	1,013,336	1,056,200	2,069,536	310,043
Total net position	\$ 2,238,283	\$ 1,980,210	\$ 4,218,493	\$ 310,043

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

CITY OF ROLLINGWOOD, TEXAS

STATEMENT OF ACTIVITIES

September 30, 2020

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Contributions
Primary governmental activities:			
General government	\$ (631,532)	\$ 155,242	\$ 46,001
Public works	(43,803)	156,844	-
Sanitation	(141,391)	-	-
Public safety	(1,099,467)	-	48,022
Court	(105,336)	100,979	-
Parks and recreation	(136,704)	5,231	230
Streets	(185,472)	-	-
Development services	(174,360)	-	-
Interest and tax note issuance expense	(110,562)	-	-
Total primary governmental activities	(2,628,627)	418,296	94,253
Business-type activities:			
Water	(1,231,638)	1,219,418	-
Wastewater	(1,276,782)	656,356	-
Total business-type activities	(2,508,420)	1,875,774	-
Primary government	\$ (5,137,047)	\$ 2,294,070	\$ 94,253
Component unit:			
Rollingwood Community Development Corporation	\$ (91,000)	\$ -	\$ -
General revenues:			
Taxes:			
Property taxes			
Sales taxes			
Franchise tax and telecommunication fees			
Interest			
Miscellaneous revenue			
Transfers			
Total general revenues			
Change in net position			
Net position at beginning of year			
Net position at end of year			

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Government Total	Component Unit
\$ (430,289)	\$ -	\$ (430,289)	
113,041	-	113,041	
(141,391)	-	(141,391)	
(1,051,445)	-	(1,051,445)	
(4,357)	-	(4,357)	
(131,243)	-	(131,243)	
(185,472)	-	(185,472)	
(174,360)	-	(174,360)	
(110,562)	-	(110,562)	
<u>(2,116,078)</u>	<u>-</u>	<u>(2,116,078)</u>	
-	(12,220)	(12,220)	
<u>-</u>	<u>(620,426)</u>	<u>(620,426)</u>	
-	(632,646)	(632,646)	
<u>(2,116,078)</u>	<u>(632,646)</u>	<u>(2,748,724)</u>	
			<u>\$ (91,000)</u>
2,153,098	-	2,153,098	-
789,120	-	789,120	153,563
145,394	-	145,394	-
2,208	3,523	5,731	1,160
9,797	-	9,797	-
(725,430)	725,430	-	-
<u>2,374,187</u>	<u>728,953</u>	<u>3,103,140</u>	<u>154,723</u>
258,109	96,307	354,416	63,723
<u>1,980,174</u>	<u>1,883,903</u>	<u>3,864,077</u>	<u>246,320</u>
<u>\$ 2,238,283</u>	<u>\$ 1,980,210</u>	<u>\$ 4,218,493</u>	<u>\$ 310,043</u>

CITY OF ROLLINGWOOD, TEXAS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2020

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Cash and cash equivalents	\$ 3,287,650	\$ -	\$ 262,088	\$ 3,549,738
Taxes receivables, net	27,503	21,180	-	48,683
Sales tax receivable	46,959	-	11,697	58,656
Other receivables	173,943	-	25	173,968
Due from other funds	<u>41,238</u>	<u>-</u>	<u>-</u>	<u>41,238</u>
 Total assets	 <u>\$ 3,577,293</u>	 <u>\$ 21,180</u>	 <u>\$ 273,810</u>	 <u>\$ 3,872,283</u>
Liabilities:				
Accounts payable	\$ 68,764	\$ -	\$ 122,758	\$ 191,522
Accrued liabilities	31,298	-	-	31,298
Due to other funds	-	22,138	19,100	41,238
Unearned revenue	<u>47,684</u>	<u>-</u>	<u>-</u>	<u>47,684</u>
Total liabilities	<u>147,746</u>	<u>22,138</u>	<u>141,858</u>	<u>311,742</u>
Deferred inflows of resources:				
Unearned revenue - property taxes	<u>27,503</u>	<u>21,180</u>	<u>-</u>	<u>48,683</u>
Fund balances:				
Restricted for construction	2,003,205	-	-	2,003,205
Restricted for street maintenance	-	-	247,118	247,118
Restricted for municipal court	-	-	23,354	23,354
Restricted for police department	-	-	3,315	3,315
Unassigned	<u>1,398,839</u>	<u>(22,138)</u>	<u>(141,835)</u>	<u>1,234,866</u>
Total fund balances	<u>3,402,044</u>	<u>(22,138)</u>	<u>131,952</u>	<u>3,511,858</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 3,577,293</u>	 <u>\$ 21,180</u>	 <u>\$ 273,810</u>	 <u>\$ 3,872,283</u>

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

CITY OF ROLLINGWOOD, TEXAS

RECONCILIATION OF BALANCE SHEET
GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION

September 30, 2020

Total fund balances - governmental funds	\$	3,511,858
Amounts reported in governmental funds and in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,587,424
Property taxes receivable unavailable to pay current expenses are deferred in the funds.		48,683
Long-term liabilities, including bonds payable and bond premiums are not due and payable in the current period, and therefore, not reported in the funds.		(3,698,538)
Accrued interest payable on long-term bonds are not due and payable in the current period and, therefore, not reported in the funds.		(8,511)
Recognition of the City's net pension and OPEB liability, the deferred outflows, and deferred inflows related to TMRS.		<u>(202,633)</u>
Total net position of governmental activities	\$	<u><u>2,238,283</u></u>

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

CITY OF ROLLINGWOOD, TEXAS

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

Year ended September 30, 2020

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property taxes	\$ 1,231,050	\$ 912,417	\$ -	\$ 2,143,467
Sales taxes	632,188	-	156,932	789,120
Franchise and telecommunications fees	145,394	-	-	145,394
Licenses and fees	171,317	-	64,619	235,936
Fines and forfeitures	36,360	-	-	36,360
Contributions	230	-	-	230
Intergovernmental	94,023	-	-	94,023
Other income	155,797	-	-	155,797
Interest	2,208	-	-	2,208
	<u>2,468,567</u>	<u>912,417</u>	<u>221,551</u>	<u>3,602,535</u>
Total revenues				
Expenditures:				
General government	591,485	-	-	591,485
Public works	45,078	-	-	45,078
Sanitation	133,088	-	-	133,088
Public safety	1,039,329	-	274	1,039,603
Court	98,572	-	-	98,572
Parks and recreation	129,163	-	-	129,163
Streets	73,461	-	98,795	172,256
Development	168,911	-	-	168,911
Capital outlay	105,963	-	-	105,963
Debt service:				
Principal	-	82,200	-	82,200
Interest and fees	-	55,395	-	55,395
Tax notes issuance costs	61,960	-	-	61,960
	<u>2,447,010</u>	<u>137,595</u>	<u>99,069</u>	<u>2,683,674</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	21,557	774,822	122,482	918,861
Other financing sources (uses):				
Transfers in	192,220	-	-	192,220
Transfers out	-	(788,430)	(129,220)	(917,650)
Tax notes issuance	2,065,000	-	-	2,065,000
	<u>2,257,220</u>	<u>(788,430)</u>	<u>(129,220)</u>	<u>1,339,570</u>
Total other financing sources (uses)				
Net change in fund balances	2,278,777	(13,608)	(6,738)	2,258,431
Fund balance - beginning of year	1,123,267	(8,530)	138,690	1,253,427
Fund balance - end of year	<u>\$ 3,402,044</u>	<u>\$ (22,138)</u>	<u>\$ 131,952</u>	<u>\$ 3,511,858</u>

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

CITY OF ROLLINGWOOD, TEXAS

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

Year ended September 30, 2020

Net change in fund balances - governmental funds	\$ 2,258,431
Amounts reported in governmental funds and in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are capitalized.	105,963
Capital assets are not recorded in government funds and therefore are not depreciated. However, in the statement of activities these assets are depreciated over their estimated useful lives. This is the amount of 2020 depreciation.	(146,322)
Revenues that are deferred in governmental activities because they do not provide current financial resources are not deferred in the statement of activities. This is the change in deferred from the prior year.	9,631
The issuance of long-term debt (i.e. bonds, tax notes) provides current financial resources to governmental funds, but is a liability in the governmental activities.	(2,065,000)
The repayment of long-term debt (i.e. bonds, premiums) provides current financial resources to governmental funds, while neither transaction has any effect on net position.	82,200
The change in net pension and OPEB liability and deferred outflows related to the City's TMRS pension asset.	20,185
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (compensated absences, interest expense)	<u>(6,979)</u>
Change in net position of governmental activities	<u>\$ 258,109</u>

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

CITY OF ROLLINGWOOD, TEXAS

**STATEMENT OF NET POSITION
ENTERPRISE FUNDS**

Year ended September 30, 2020

	Enterprise Fund		Total Enterprise Funds
	Water Fund	Wastewater Fund	
Current assets:			
Cash and cash equivalents	\$ 453,603	\$ 780,574	\$ 1,234,177
Accounts receivable, net	<u>200,782</u>	<u>50,372</u>	<u>251,154</u>
Total current assets	<u>654,385</u>	<u>830,946</u>	<u>1,485,331</u>
Noncurrent assets:			
Capital assets, net:			
Water distribution system	2,489,500	-	2,489,500
Wastewater system	-	9,674,427	9,674,427
Wastewater system-connections	-	94,326	94,326
Equipment	-	33,279	33,279
Wastewater system-building improvements	-	<u>41,280</u>	<u>41,280</u>
Total noncurrent assets	<u>2,489,500</u>	<u>9,843,312</u>	<u>12,332,812</u>
Total assets	<u>3,143,885</u>	<u>10,674,258</u>	<u>13,818,143</u>
Deferred outflows of resources - pension	15,404	15,404	30,808
Deferred outflows of resources - OPEB	<u>1,570</u>	<u>1,570</u>	<u>3,140</u>
Total outflows of resources	<u>16,974</u>	<u>16,974</u>	<u>33,948</u>
Current liabilities:			
Accounts payable	83,807	34,752	118,559
Accrued interest payable	3,914	61,621	65,535
Accrued liabilities	1,223	1,676	2,899
Unearned revenue	-	323	323
Current portion of long-term liabilities:			
Bond payable	<u>39,375</u>	<u>400,000</u>	<u>439,375</u>
Total current liabilities	<u>128,319</u>	<u>498,372</u>	<u>626,691</u>
Noncurrent liabilities:			
Compensated absences	9,098	9,098	18,196
Bonds payable	647,325	9,755,000	10,402,325
Bond premiums	37,331	529,771	567,102
Net pension liability	20,567	20,567	41,134
OPEB liability	7,040	7,040	14,080
Customer deposits	<u>159,631</u>	-	<u>159,631</u>
Total noncurrent liabilities	<u>880,992</u>	<u>10,321,476</u>	<u>11,202,468</u>
Total liabilities	<u>1,009,311</u>	<u>10,819,848</u>	<u>11,829,159</u>
Deferred inflow - pension	21,119	21,119	42,238
Deferred inflow - OPEB	242	242	484
Total inflows of resources	<u>21,361</u>	<u>21,361</u>	<u>42,722</u>
Net position:			
Net investment in capital assets	1,765,469	(841,459)	924,010
Unrestricted net position	<u>364,718</u>	<u>691,482</u>	<u>1,056,200</u>
Total net position	<u>\$ 2,130,187</u>	<u>\$ (149,977)</u>	<u>\$ 1,980,210</u>

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

CITY OF ROLLINGWOOD, TEXAS

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

Year ended September 30, 2020

	Enterprise Fund		Total
	Water Fund	Wastewater Fund	Enterprise Funds
Operating revenues:			
Charges for sales and services:			
Water sales	\$ 1,219,418	\$ -	\$ 1,219,418
Wastewater revenues	-	547,146	547,146
Wastewater surcharge	-	98,154	98,154
Industrial waste surcharges	-	11,056	11,056
Total operating revenues	1,219,418	656,356	1,875,774
Operating expenses:			
Water purchased	721,481	-	721,481
Wastewater fees	-	248,701	248,701
Personnel services	190,052	187,520	377,572
Repairs and maintenance	35,785	24,383	60,168
System operation	6,707	27,695	34,402
Contract services	124,294	130,035	254,329
Depreciation	131,447	326,675	458,122
Total operating expenses	1,209,766	945,009	2,154,775
Operating income (loss)	9,652	(288,653)	(279,001)
Nonoperating revenues (expenses):			
Interest expense	(21,872)	(331,773)	(353,645)
Investment earnings	658	2,865	3,523
Total nonoperating revenues (expenses)	(21,214)	(328,908)	(350,122)
Transfers:			
Transfers in	62,795	725,635	788,430
Transfers out	(35,000)	(28,000)	(63,000)
Net transfers	27,795	697,635	725,430
Change in net position	16,233	80,074	96,307
Net position at beginning of year	2,113,954	(230,051)	1,883,903
Net position at end of year	\$ 2,130,187	\$ (149,977)	\$ 1,980,210

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

CITY OF ROLLINGWOOD, TEXAS

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS**

For the year ended September 30, 2020

	Enterprise Funds		
	Water	Wastewater	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,262,350	\$ 683,416	\$ 1,945,766
Cash paid to employees for services	(194,316)	(191,692)	(386,008)
Cash paid to suppliers for goods and services	(904,673)	(426,274)	(1,330,947)
Net cash provided by (used in) operating activities	<u>163,361</u>	<u>65,450</u>	<u>228,811</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	(31,045)	(31,045)
Principal paid on bonded debt	(37,800)	(360,000)	(397,800)
Interest paid on bonded debt	(24,995)	(365,635)	(390,630)
Net cash provided by (used in) capital and related financing activities	<u>(62,795)</u>	<u>(756,680)</u>	<u>(819,475)</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	27,795	697,635	725,430
Transfers to other funds	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>27,795</u>	<u>697,635</u>	<u>725,430</u>
Cash flows from investing activities:			
Interest received	<u>658</u>	<u>2,865</u>	<u>3,523</u>
Net increase (decrease) in cash and cash equivalents	129,019	9,270	138,289
Cash and cash equivalents - beginning	<u>324,584</u>	<u>771,304</u>	<u>1,095,888</u>
Cash and cash equivalents - ending	<u>\$ 453,603</u>	<u>\$ 780,574</u>	<u>\$ 1,234,177</u>

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

	Enterprise Funds		
	Water	Wastewater	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 9,652	\$ (288,653)	\$ (279,001)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	131,447	326,675	458,122
Changes in assets and liabilities			
Decrease (increase) in assets			
Accounts receivable	38,327	27,060	65,387
Prepaid expenses	-	3,045	3,045
Increase (decrease) in liabilities			
Accounts payable	(16,406)	1,497	(14,909)
Accrued expenses	(1,077)	(987)	(2,064)
Unearned revenue	-	-	-
Net pension liability	(4,071)	(4,071)	(8,142)
OPEB liability	884	884	1,768
Customer deposits	4,605	-	4,605
	<u>4,605</u>	<u>-</u>	<u>4,605</u>
Net cash provided by (used in) operating activities	<u>\$ 163,361</u>	<u>\$ 65,450</u>	<u>\$ 228,811</u>

	SCHEDULE OF NONCASH ACTIVITIES		
Actuarilly determined change in:			
Net pension liability	\$ 20,567	\$ 20,567	\$ 41,134
Other postemployment benefit liability	7,040	7,040	14,080



CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(1) Summary of significant accounting policies

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

Reporting entity

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

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

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

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

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

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

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(1) Summary of significant accounting policies (continued)

Government-wide and fund financial statements

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

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

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

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

The City reports the following major governmental funds:

General fund: This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

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

In addition, the City reports the following fund types:

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

The City reports the following major proprietary funds:

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

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

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting and financial statement presentation

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

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

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

Cash and cash equivalents

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

Pensions

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

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(1) Summary of significant accounting policies (continued)

Other postemployment benefits

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

Receivables and payables

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

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

Compensated absences

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

Use of estimates

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

Fund balance

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

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

Restricted - These funds are governed by externally enforceable restrictions.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(1) Summary of significant accounting policies (continued)

Fund balance (continued)

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

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

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

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

Discretely presented component unit

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

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

(2) Deposits and investments

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

Cash deposits

At September 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,247,828 and the bank balance was \$4,293,558. The City also had \$250 cash on hand.

The City's cash deposits at September 30, 2020, and during the year ended September 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The component unit's cash carrying balance was \$278,940 with a bank balance of \$278,940 which is entirely collateralized by the FDIC. The amount in TexPool was \$126,420 at September 30, 2020.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(2) Deposits and investments (continued)

Investments

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

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

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

The City's cash and investments are shown below:

Investment Type	Reported at Fair Value	Weighted Average Maturity (Days)	Rating	
			Moody's	S&P
TexPool	\$ 535,837	38	AAA	AAAm
Cash on hand	250	n/a	n/a	n/a
Bank deposits	<u>4,247,828</u>	n/a	n/a	n/a
 Total cash and cash equivalents	 <u>\$ 4,783,915</u>			

Analysis of specific deposit and investment risks

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

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(2) Deposits and investments (continued)

Investments (continued)

Analysis of specific deposit and investment risks (continued)

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

At September 30, 2020 the City's investments are rated as to credit quality as shown in the preceding table.

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

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

The City was not exposed to custodial credit risk.

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

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

Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted average maturity method. In accordance with its investment policy and state law, the City manages its interest rate risk by limiting the weighted average maturity of any investment owned by the City to the maximum of two years. The investment strategy for operating funds requires a dollar weighted average maturity of 365 days or less. Debt service funds cannot be invested in securities that have a stated final maturity date that exceeds the debt service payment date. Investment of debt service reserve funds and special project funds require high quality securities with short-term maturities. Eligible investment pools must have a weighted average maturity of no greater than 90 days. The City's exposure to interest rate risk at September 30, 2020 is summarized in the preceding table as the weighted average days to maturity.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(2) Deposits and investments (continued)

Investments (continued)

Analysis of specific deposit and investment risks (continued)

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

(3) Property taxes

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

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

(4) Capital assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated acquisition value at the date of the donation. The cost of the normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

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

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(4) Capital assets (continued)

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balance September 30, 2019	Additions	Disposals	Balance September 30, 2020
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 321,438	\$ -	\$ -	\$ 321,438
Capital assets being depreciated:				
Buildings and improvements	721,038	-	-	721,038
Equipment	814,625	105,963	-	920,588
Infrastructure	2,215,866	-	-	2,215,866
Total capital assets being depreciated	<u>3,751,529</u>	<u>105,963</u>	<u>-</u>	<u>3,857,492</u>
Less accumulated depreciation:				
Buildings and improvements	(228,961)	(16,406)	-	(245,367)
Equipment	(653,917)	(43,549)	-	(697,466)
Infrastructure	<u>(562,306)</u>	<u>(86,367)</u>	<u>-</u>	<u>(648,673)</u>
Total accumulated depreciation	<u>(1,445,184)</u>	<u>(146,322)</u>	<u>-</u>	<u>(1,591,506)</u>
Total capital assets being depreciated (net)	<u>2,306,345</u>	<u>(40,359)</u>	<u>-</u>	<u>2,265,986</u>
Governmental activities capital assets (net)	<u>\$ 2,627,783</u>	<u>\$ (40,359)</u>	<u>\$ -</u>	<u>\$ 2,587,424</u>

Depreciation was charged to functions as follows:

General government	\$ 44,610
Public works	1,148
Sanitation	8,303
Public safety	65,474
Court	6,674
Parks and recreation	7,153
Streets	<u>12,960</u>
 Total	 <u>\$ 146,322</u>

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(4) Capital assets (continued)

	Balance September 30, 2019	Additions	Disposals	Balance September 30, 2020
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 11,955	\$ 31,045	\$ (43,000)	\$ -
Capital assets being depreciated:				
Water distribution system	4,337,747	-	-	4,337,747
Wastewater system	12,283,781	-	-	12,283,781
Wastewater system - connections	172,927	-	-	172,927
Equipment - water	29,678	-	-	29,678
Equipment - wastewater	99,956	-	-	99,956
Wastewater system - building improvements	-	43,000	-	43,000
Total capital assets being depreciated	<u>16,924,089</u>	<u>43,000</u>	<u>-</u>	<u>16,967,089</u>
Less accumulated depreciation:				
Water distribution system	(1,716,798)	(131,449)	-	(1,848,247)
Wastewater system	(2,302,259)	(307,095)	-	(2,609,354)
Wastewater system - connections	(73,365)	(5,236)	-	(78,601)
Equipment - water	(29,678)	-	-	(29,678)
Equipment - wastewater	(54,055)	(12,622)	-	(66,677)
Wastewater system - building improvements	-	(1,720)	-	(1,720)
Total accumulated depreciation	<u>(4,176,155)</u>	<u>(458,122)</u>	<u>-</u>	<u>(4,634,277)</u>
Total capital assets being depreciated (net)	<u>12,747,934</u>	<u>(415,122)</u>	<u>-</u>	<u>12,332,812</u>
Business-type activities capital assets (net)	<u>\$ 12,759,889</u>	<u>\$ (384,077)</u>	<u>\$ (43,000)</u>	<u>\$ 12,332,812</u>

(5) Interfund receivables, payables, and transfers

Interfund balances at September 30, 2020 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Debt service fund	\$ 22,138
General fund	Drainage fund	19,100
		<u>\$ 41,238</u>

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

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

Interfund transfers during the year ended September 30, 2020 were the result of normal transactions between the funds and consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 192,220	\$ -
Debt service fund	-	788,430
Nonmajor governmental funds	-	129,220
Water fund	62,795	35,000
Wastewater fund	<u>725,635</u>	<u>28,000</u>
Totals	<u>\$ 980,650</u>	<u>\$ 980,650</u>

(6) Defined benefit pension plans

Plan description

The City of Rollingwood participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(6) Defined benefit pension plans (continued)

Benefits provided (continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty-five (25) years of service regardless of age through December 31, 2018. Effective January 1, 2019, members are eligible to retire with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 6% through December 31, 2018 and increased to 7% effective January 1, 2019, and the City matching percent is currently 2 to 1.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	20
Active employees	<u>15</u>
	<u>46</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 actuary, using the entry age normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Rollingwood were required to contribute 7% of their annual gross earnings. The contribution rates for the City were 11.20% and 11.88% for calendar years 2019 and 2020 respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$138,811, and were equal to the required contributions.

Net pension liability

The City's net pension liability was measured as of December 31, 2019, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(6) Defined benefit pension plans (continued)

Net pension liability (continued)

Actuarial assumptions:

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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 109% and female rates multiplied by 103%. 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 males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and annuity purchase rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the system adopted the entry age normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(6) Defined benefit pension plans (continued)

Net pension liability (continued)

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	<u>100.0%</u>	

Discount rate

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

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(6) Defined benefit pension plans (continued)

Net pension liability (continued)

Changes in the net pension liability (asset):

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2018	\$ 2,647,863	\$ 2,183,029	\$ 464,834
Changes for the year:			
Service cost	173,630	-	173,630
Interest	180,313	-	180,313
Change of benefit terms	-	-	-
Difference between expected and actual experience	(115,538)	-	(115,538)
Changes of assumptions	35	-	35
Contributions - employer	-	120,561	(120,561)
Contributions - employee	-	75,351	(75,351)
Net investment income	-	337,930	(337,930)
Benefit payments, including refunds of employee contributions	(126,750)	(126,750)	-
Administrative expense	-	(1,907)	1,907
Other changes	-	(56)	56
Net changes	<u>111,690</u>	<u>405,129</u>	<u>(293,439)</u>
Balance at December 31, 2019	<u>\$ 2,759,553</u>	<u>\$ 2,588,158</u>	<u>\$ 171,395</u>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
	<u> </u>	<u> </u>	<u> </u>
City's net pension liability	<u>\$ 550,325</u>	<u>\$ 171,395</u>	<u>\$ (137,474)</u>

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(6) Defined benefit pension plans (continued)

Net pension liability (continued)

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 and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2020, the City recognized pension expense of \$104,891.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 25,199	\$ 99,059
Changes in actuarial assumptions	20	-
Difference between projected and actual investment earnings	-	76,930
Contributions subsequent to the measurement date	103,143	-
Total	\$ 128,362	\$ 175,989

\$103,143 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year December 31,	Amortization Expense
2020	\$ (53,304)
2021	(48,703)
2022	(10,642)
2023	(38,121)
2024	-
Thereafter	-
Total	\$ (150,770)

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(7) Other postemployment benefits (OPEB) plan

Plan description

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

Benefits provided

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

Contributions

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

The contribution rate for the City was .21% and .28% respectively for calendar years 2019 and 2020. The City's contribution to TMRS for the year ended September 30, 2020 was \$3,100, and was equal to the required contributions.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>15</u>
	<u>27</u>

OPEB liability

The City's total OPEB liability of \$58,664 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

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

Actuarial assumptions:

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate *	2.75%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with males rates multiplied by 109% and females rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with males rates multiplied by 109% and females rates multiplied by 103% with a 3 year set-forward for both male and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF ROLLINGWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

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

Changes in the total OPEB liability:

Balance at December 31, 2018	\$	43,308
Changes for the year:		
Service cost		2,583
Interest on the total OPEB liability		1,647
Changes of benefit terms		-
Difference between expected and actual experience		2,179
Change of assumptions		9,378
Benefit payments		(431)
Net changes		<u>15,356</u>
Balance at December 31, 2019	\$	<u><u>58,664</u></u>

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Current Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's OPEB liability	\$ 70,407	\$ 58,664	\$ 49,548

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$6,462.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 3,365	\$ -
Changes in actuarial assumptions	9,459	2,019
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>260</u>	<u>-</u>
Total	<u><u>\$ 13,084</u></u>	<u><u>\$ 2,019</u></u>

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

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

Amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Plan Year</u> <u>December 31,</u>	<u>Amortization</u> <u>Expense</u>
2020	\$ 2,232
2021	2,232
2022	2,232
2023	1,873
2024	1,826
Thereafter	<u>410</u>
Total	<u>\$ 10,805</u>

(8) Health care coverage

During the year ended September 30, 2020, employees of the City were covered by a health insurance plan (the Plan). The City contributed \$599 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the third party administrator is renewable January 1, 2020, and terms of coverage and contribution costs are included in the contractual provisions.

(9) Long-term liabilities

The City had a wastewater and transportation agreement with the Lower Colorado River Authority (LCRA) to provide wastewater treatment and disposal services in the Rollingwood services area. In July 2012 the City issued General Obligation Bonds Taxable Series 2012A, and General Obligation Bonds Series 2012B. The proceeds from the bonds were used to purchase the wastewater system from LCRA. In addition, in 2014, the City issued \$2,835,000 General Obligations Bonds, Series 2014 for water and street improvements.

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(9) Long-term liabilities (continued)

The City's liabilities consist of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
General Obligation Bonds - Series 2014	\$ 1,575,500	\$ -	\$ (82,200)	\$ 1,493,300	\$ 85,625
Tax Notes - Series 2020	-	2,065,000	-	2,065,000	280,000
Premium on bonds	<u>87,414</u>	<u>-</u>	<u>(6,245)</u>	<u>81,169</u>	<u>-</u>
 Total governmental activities bonds	 <u>\$ 1,662,914</u>	 <u>\$ 2,065,000</u>	 <u>\$ (88,445)</u>	 <u>\$ 3,639,469</u>	 <u>\$ 365,625</u>
<u>Business-type activities:</u>					
General Obligation Bonds - Series 2012A	\$ 1,190,000	\$ -	\$ (290,000)	\$ 900,000	\$ 295,000
General Obligation Bonds - Series 2014	724,500	-	(37,800)	686,700	39,375
General Obligation Refunding Bonds - Series 2019	<u>9,325,000</u>	<u>-</u>	<u>(70,000)</u>	<u>9,255,000</u>	<u>105,000</u>
Total bond obligations	11,239,500	-	(397,800)	10,841,700	439,375
Premium on bonds	<u>599,406</u>	<u>-</u>	<u>(32,304)</u>	<u>567,102</u>	<u>-</u>
 Total business-type activities bonds	 <u>\$ 11,838,906</u>	 <u>\$ -</u>	 <u>\$ (430,104)</u>	 <u>\$ 11,408,802</u>	 <u>\$ 439,375</u>

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

Future maturities of the bonds are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 365,625	\$ 88,131	\$ 453,756	\$ 439,375	\$ 349,854	\$ 789,229
2022	374,050	76,692	450,742	450,950	337,293	788,243
2023	382,475	68,855	451,330	462,525	323,755	786,280
2024	390,900	60,661	451,561	469,100	309,219	778,319
2025	399,325	53,064	452,389	485,675	290,896	776,571
2026-2030	1,149,300	154,158	1,303,458	2,715,700	1,160,164	3,875,864
2031-2035	496,625	44,234	540,859	3,138,375	689,791	3,828,166
2036-2039	-	-	-	2,680,000	204,450	2,884,450
	<u>\$ 3,558,300</u>	<u>\$ 545,795</u>	<u>\$ 4,104,095</u>	<u>\$ 10,841,700</u>	<u>\$ 3,665,422</u>	<u>\$ 14,507,122</u>

CITY OF ROLLINGWOOD, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

(10) Risk management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

(11) Fund balance/net position deficits

The debt service fund has a fund balance deficit of \$22,138. The 2021 budget has a transfer from the wastewater fund to eliminate this deficit. The wastewater fund has a cumulative net position deficit of \$149,977. The 2021 budget has been approved to eliminate this deficit.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF ROLLINGWOOD, TEXAS

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

Year ended September 30, 2020

	Budget Amounts		2020 Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 1,255,074	\$ 1,255,074	\$ 1,231,050	\$ (24,024)
Sales taxes	528,000	528,000	632,188	104,188
Franchise and telecommunications fees	174,600	174,600	145,394	(29,206)
Licenses and fees	142,275	142,775	171,317	28,542
Fines and forfeitures	35,350	34,850	36,360	1,510
Contributions	200	200	230	30
Intergovernmental	30,300	30,300	94,023	63,723
Other income	58,550	58,550	155,797	97,247
Interest	2,050	2,050	2,208	158
	<u>2,226,399</u>	<u>2,226,399</u>	<u>2,468,567</u>	<u>242,168</u>
Total revenues				
Expenditures:				
General government	555,074	595,780	591,485	4,295
Public works	17,550	17,750	45,078	(27,328)
Sanitation	126,000	126,000	133,088	(7,088)
Public safety	1,129,844	1,115,344	1,039,329	76,015
Court	116,277	116,336	98,572	17,764
Parks and recreation	100,747	119,632	129,163	(9,531)
Streets	135,271	135,624	73,461	62,163
Development	204,646	205,304	168,911	36,393
Capital outlay	75,000	95,000	105,963	(10,963)
Tax notes issue expenditures	-	-	61,960	(61,960)
	<u>2,460,409</u>	<u>2,526,770</u>	<u>2,447,010</u>	<u>79,760</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures				
	(234,010)	(300,371)	21,557	321,928
Other financing sources (uses):				
Transfers in	199,056	320,171	192,220	127,951
Tax note issuance	-	-	2,065,000	2,065,000
	<u>199,056</u>	<u>320,171</u>	<u>2,257,220</u>	<u>1,937,049</u>
Total other financing sources (uses)				
Net change in fund balances				
	(34,954)	19,800	2,278,777	2,258,977
Total fund balance-beginning of year				
	<u>1,123,267</u>	<u>1,123,267</u>	<u>1,123,267</u>	<u>-</u>
Total fund balance-end of year				
	<u>\$ 1,088,313</u>	<u>\$ 1,143,067</u>	<u>\$ 3,402,044</u>	<u>\$ 2,258,977</u>

CITY OF ROLLINGWOOD, TEXAS

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

***Last 10 fiscal years**

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

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

CITY OF ROLLINGWOOD, TEXAS

**SCHEDULE OF CONTRIBUTIONS –
TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION**

***Last 10 fiscal years**

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

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

CITY OF ROLLINGWOOD, TEXAS

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

***Last 10 fiscal years**

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

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

CITY OF ROLLINGWOOD, TEXAS

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

***Last 10 fiscal years**

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

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

CITY OF ROLLINGWOOD, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2020

(1) Budget information

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

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

(2) Schedule of contributions

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years
Asset valuation method	10 year smoothed market, 15% soft corridor
Inflation	2.50%
Salary increases	3.5% to 10.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other information:

- Notes
- 1) Adopted 20 year, any age retirement eligibility.
 - 2) Increased employee contribution rate from 6% to 7%.
 - 3) Increased statutory max to 13.5% due to plan changes.

OTHER SUPPLEMENTARY INFORMATION



CITY OF ROLLINGWOOD, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

For the year ended September 30, 2020

	Special Revenue Funds						Special
	Street Maintenance	Court Security	Court Technology	Court Efficiency	Drainage Fund	Police Forfeiture	Revenue Funds Total
Assets:							
Cash and cash equivalents	\$ 235,421	\$ 14,855	\$ 8,383	\$ 114	\$ -	\$ 3,315	\$ 262,088
Due from other funds	-	-	-	-	-	-	-
Sales tax receivable	11,697	-	-	-	-	-	11,697
Other receivable	-	9	16	-	-	-	25
Total assets	<u>\$ 247,118</u>	<u>\$ 14,864</u>	<u>\$ 8,399</u>	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ 3,315</u>	<u>\$ 273,810</u>
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 23	\$ -	\$ 122,735	\$ -	\$ 122,758
Due to other funds	-	-	-	-	19,100	-	19,100
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>23</u>	<u>-</u>	<u>141,835</u>	<u>-</u>	<u>141,858</u>
Fund balances:							
Reserved for street maintenance	247,118	-	-	-	-	-	247,118
Reserved for municipal court	-	14,864	8,376	114	-	-	23,354
Reserved for police department	-	-	-	-	-	3,315	3,315
Unassigned	-	-	-	-	(141,835)	-	(141,835)
Total fund balances	<u>247,118</u>	<u>14,864</u>	<u>8,376</u>	<u>114</u>	<u>(141,835)</u>	<u>3,315</u>	<u>131,952</u>
Total liabilities and fund balances	<u>\$ 247,118</u>	<u>\$ 14,864</u>	<u>\$ 8,399</u>	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ 3,315</u>	<u>\$ 273,810</u>

CITY OF ROLLINGWOOD, TEXAS

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES
NONMAJOR GOVERNMENTAL FUNDS**

For the year ended September 30, 2020

	Special Revenue Funds						Special Revenue Funds Total
	Street Maintenance	Court Security	Court Technology	Court Efficiency	Drainage Fund	Police Forfeiture	
Revenues:							
Sales tax	\$ 156,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 156,932
Fees	60	1,221	1,406	-	61,932	-	64,619
Total revenues	<u>156,992</u>	<u>1,221</u>	<u>1,406</u>	<u>-</u>	<u>61,932</u>	<u>-</u>	<u>221,551</u>
Expenditures:							
Public safety	-	-	274	-	-	-	274
Streets	-	-	-	-	98,795	-	98,795
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>274</u>	<u>-</u>	<u>98,795</u>	<u>-</u>	<u>99,069</u>
Excess (deficiency) of revenues over (under) expenditures	156,992	1,221	1,132	-	(36,863)	-	122,482
Transfers:							
Transfers in	-	-	-	-	-	-	-
Transfers out	(129,220)	-	-	-	-	-	(129,220)
Total transfers	<u>(129,220)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,220)</u>
Net change in fund balance	27,772	1,221	1,132	-	(36,863)	-	(6,738)
Total fund balance - beginning	<u>219,346</u>	<u>13,643</u>	<u>7,244</u>	<u>114</u>	<u>(104,972)</u>	<u>3,315</u>	<u>138,690</u>
Total fund balance - ending	<u>\$ 247,118</u>	<u>\$ 14,864</u>	<u>\$ 8,376</u>	<u>\$ 114</u>	<u>\$ (141,835)</u>	<u>\$ 3,315</u>	<u>\$ 131,952</u>

CITY OF ROLLINGWOOD, TEXAS

**BALANCE SHEET
COMPONENT UNIT**

September 30, 2020

Rollingwood Community
Development Corporation

Assets:

Cash and cash equivalents	\$ 405,360
Accounts receivable - sales taxes	<u>11,796</u>
Total assets	<u>\$ 417,156</u>

Liabilities:

Accounts payable to other governments	<u>\$ 107,113</u>
Total liabilities	<u>107,113</u>

Net position:

Unrestricted net position	<u>310,043</u>
Total net position	<u>310,043</u>
Total liabilities and net position	<u>\$ 417,156</u>

CITY OF ROLLINGWOOD, TEXAS

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

For the year ended September 30, 2020

	<u>Rollingwood Community Development Corporation</u>
Revenues:	
Sales taxes	\$ 153,563
Interest	<u>1,160</u>
Total revenues	<u>154,723</u>
Expenditures:	
Current:	
Administration	<u>91,000</u>
Total expenditures	<u>91,000</u>
Change in net position	63,723
Net position - beginning of year	<u>246,320</u>
Net position - end of year	<u><u>\$ 310,043</u></u>

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rollingwood, Texas, (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Rollingwood, Texas' basic financial statements, and have issued our report thereon dated February 17, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

ABIP, PC

San Antonio, Texas

February 17, 2021