

**CITY OF ROSEBUD, TEXAS**  
**FINANCIAL STATEMENTS AS OF**  
**SEPTEMBER 30, 2022**

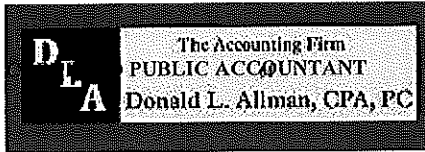
**TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON**  
**AND SUPPLEMENTARY INFORMATION**

**Prepared by:**

**Donald L. Allman, CPA**  
*Certified Public Accountant*  
**205 E. University Avenue, Suite 165**  
**Georgetown, TX 78626**  
**(512) 422-3700 Fax (512) 240-5460**

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## **Independent Auditor's Report**

To the Honorable Mayor and City Council  
City of Rosebud, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rosebud, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Rosebud, Texas's basic financial statements as listed in the table of contents.

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

### ***Basis for Opinions***

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 37-38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2023, on our consideration of the City of Rosebud, Texas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Rosebud, Texas'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 Rosebud, Texas internal control over financial reporting and compliance.

Donald L. Allman, CPA, P.C.



Georgetown, TX  
July 21, 2023

**Management's Discussion and Analysis  
City of Rosebud Texas**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial Report, we, the Administrators of City of Rosebud, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2022. Please read it in conjunction with the independent auditors' report on page 1, and the City's Basic Financial Statements which begin on page 13.

**FINANCIAL HIGHLIGHTS**

- The City's net position decreased by \$(159,737) as a result of this year's operations.
- The General Fund ended the fiscal year with a decrease of \$(68,015) in net position, before transfers, and the Proprietary Fund ended the fiscal year with a decrease of \$(91,722), before transfers.
- The General Fund, Capital Projects Fund, and Other Governmental Funds ended the fiscal year with a \$(197,541) decrease in Governmental Funds net position.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 through 15). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. Proprietary statements provide the same type of information as the government-wide financial statements, only in more detail.

The notes to the financial statements (starting on page 24) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

**Management's Discussion and Analysis  
City of Rosebud, Texas**

**USING THIS ANNUAL REPORT (continued)**

**Reporting the City as a Whole**

*The statement of Net Position and the Statement of Activities*

The analysis of the City's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the City is better or worse off as a result of the year's activities. The Statement of Net Position includes all of the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

These two statements report the City's net position and the changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City however you should consider non-financial factors as well, such as changes in the property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities.

Governmental activities-Most of the City's basic services are reported here, including the police, streets, culture & recreation, and general government. Property taxes, sales taxes and franchise fees finance most of these activities.

Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system activities are reported here.

**Management's Discussion and Analysis  
City of Rosebud, Texas**

**USING THIS ANNUAL REPORT (continued)**

**Reporting the City's Most Significant Funds**

*Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measure cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental fund is detailed in a reconciliation following the fund financial statements.

Proprietary funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City's combined net position was \$3,186,701 as of September 30, 2022. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position are \$1,715,437 and the general fund net position was \$1,471,264. The following analysis focuses on the net position (Table I) and general revenues and significant expenses of the City's governmental and business-type activities (Table II).

**Management's Discussion and Analysis  
City of Rosebud, Texas**

**Table I**

**NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	2022	2021	2022	2021	2022	2021
Current and other assets	702,383	812,840	1,339,973	1,315,126	2,042,356	2,127,966
Noncurrent and capital assets	828,769	925,791	1,728,823	1,786,833	2,557,592	2,712,624
<b>Total Assets</b>	<b>1,531,152</b>	<b>1,738,631</b>	<b>3,068,796</b>	<b>3,101,959</b>	<b>4,599,948</b>	<b>4,840,590</b>
Deferred Outflows of Resources	24,950	21,477	8,317	7,159	33,267	28,636
Current Liabilities	26,873	49,838	94,411	23,894	121,284	73,732
Long-term Liabilities	12,765	52,917	1,089,106	1,212,680	1,101,871	1,265,597
<b>Total Liabilities</b>	<b>39,638</b>	<b>102,755</b>	<b>1,183,517</b>	<b>1,236,574</b>	<b>1,223,155</b>	<b>1,339,329</b>
Deferred Inflows of Resources	45,200	15,275	178,159	168,184	223,359	183,459
Net Position:						
Net Investment in Capital Assets	804,267	880,773	1,728,823	1,594,153	2,533,090	2,474,926
Restricted for:						
Capital projects	48,142				48,142	-
Debt Service	67,072	121,601	55,884		122,956	121,601
Unrestricted	551,783	639,704	(69,270)	110,207	482,513	749,911
<b>Total net position</b>	<b>1,471,264</b>	<b>1,642,078</b>	<b>1,715,437</b>	<b>1,704,360</b>	<b>3,186,701</b>	<b>3,346,438</b>



**Management's Discussion and Analysis  
City of Rosebud, Texas**

**Table II**

**CHANGE IN NET POSITION**

	Governmental		Business-type Activities		Total	
	Activities				Primary	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues						
Charges for Services	11,330	5,235	822,132	801,421	833,462	806,656
Operating grants and contributions	\$167,462	656,947	6,050	136,908	173,512	793,855
General Revenues:						
Property tax	474,708	564,627			474,708	564,627
Sales tax	151,340	-			151,340	-
Franchise fees	122,083	-			122,083	-
Municipal Court income	119,531	301,674			498,709	301,674
Investment earnings	6,903	-	1,544	-	8,447	-
Miscellaneous	41,507	157,223	-	-	41,507	157,223
Transfers	(102,799)	-	102,799	-	-	-
Total Revenue	992,065	1,685,706	932,525	938,329	2,303,768	2,624,035
Expenses:						
General government						
Public Safety	408,840	282,955			408,840	282,955
Public Works	303,112	277,884			303,112	277,884
Municipal Court	231,920	214,432				214,432
Culture and recreation	115,810	190,511				
Schedule of Pension Expenses	100,596	44,684			100,596	44,684
Interest on long-term debt	686	-	229	-	915	-
Water and Sewer	1,915	2,592	6,298	55,481	1,915	58,073
Total Expenses	1,162,879	1,013,058	921,448	977,985	2,084,327	1,800,532
Change in net position	(170,814)	672,648	11,077	(39,656)	(159,737)	823,503
Net position - beginning	1,642,078	969,430	1,704,360	1,744,016	3,346,438	2,713,446
Net position - ending	1,471,264	1,642,078	1,715,437	1,704,360	3,186,701	3,536,949

## **Management's Discussion and Analysis City of Rosebud, Texas**

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

A large portion of the City's net position (82 percent) reflect its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of 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.

The balance of *unrestricted net position*, \$482,513 may be used to meet the government's ongoing obligations to citizens and creditors.

For fiscal year 2022, revenues from governmental activities totaled \$1,094,864. Property tax, franchise fees, and municipal court income are the largest components of revenues (83 percent respectively).

For fiscal year 2022, expenses for governmental activities totaled \$1,162,879. The City's three largest funded programs are for general government, public safety and public works.

Charges for services of the City's business-type activities were \$829,726 for the fiscal year ending September 30, 2022. Expenses for the City's business-type activities were \$921,448. The City's largest expenses are the purchase of water, garbage fees and salaries & related expenses.

### **THE CITY'S FUNDS**

As the City completed the year, its governmental funds, as presented in the balance sheet on page 16, reported a combined fund balance of \$504,976 which is lower than last year's total of \$702,517.

# **Management's Discussion and Analysis**

## **City of Rosebud, Texas**

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of 2022, the City had \$2,557,952 invested in a broad range of capital assets, including facilities and equipment and land. See the Capital Assets section of the footnotes for greater detail on capital assets and depreciation.

#### **Debt**

At September 30, 2022, the City had \$1,165,834 in loans and Bonds outstanding. More detailed information about the City's long-term liabilities is presented in the Notes to the Financial Statement starting on page 26.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered service delivery and system maintenance costs when setting the fiscal year 2021-2022 budget and tax rate. Economic growth in the form of increased sales and investment in business and residential property has contributed to the City's tax base, but increase in costs and infrastructure maintenance needs are expected.

The City adopted a \$2,083,707 budget for fiscal year 2021-2022. It will be funded through property taxes via a \$0.8484 tax rate, which is no increase in the property tax rate. Water and sewer charges, sales and franchise taxes, and other local revenues will help fund the budget.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and 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 questions about this report or need additional financial information, contact Kenny Murray, City Administrator, at City of Rosebud, P.O. Box 657, Rosebud, Texas 76570.

BASIC FINANCIAL STATEMENTS

**CITY OF ROSEBUD, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2022**

	<b>Primary Government</b>			<b>Component Unit</b>
	Governmental Activities	Business-type Activities	Total	Rosebud Economic Development Corporation
<b><u>ASSETS</u></b>				
Cash	368,798	50,396	419,194	337,013
Restricted Cash	115,214	1,221,442	1,336,656	
Property taxes, net of allowance for uncollectibles	178,401		178,401	
Other Receivables, net of allowance for uncollectibles	39,970	\$68,135	108,105	-
Mortgages Receivable	-			271,318
Assets held for economic development				-
Capital assets not being depreciated:				
Land	\$25,075	9,800	34,875	
Capital assets, net of accumulated depreciation	803,694	1,719,023	2,522,717	
<b>Total Capital Assets</b>	<b>828,769</b>	<b>1,728,823</b>	<b>2,557,592</b>	<b>-</b>
<b>Total Assets</b>	<b>1,531,152</b>	<b>3,068,796</b>	<b>4,599,948</b>	<b>608,331</b>
Deferred Outflows of Resources	24,950	8,317	33,267	
<b><u>LIABILITIES</u></b>				
Accounts payable	10,559	36,401	46,960	
Accrued liabilities	8,447	7,074	15,521	
Noncurrent liabilities:				
Due within one year	7,867	50,936	58,803	
Due within more than one year	16,635	1,090,396	1,107,031	
Net Pension Liability	(3,870)	(1,290)	(5,160)	
<b>Total Liabilities</b>	<b>39,638</b>	<b>1,183,517</b>	<b>1,223,155</b>	<b>-</b>
Deferred (Inflows)/Outflows of Resources	45,200	178,159	223,359	
<b><u>NET POSITION</u></b>				
Net Investment in Capital Assets	804,267	1,728,823	2,533,090	
Restricted for:				
Capital projects	48,142		48,142	
Debt Service & Other Governmental Funds	67,072	55,884	122,956	
Economic Development Corporation				608,331
Unrestricted	551,783	(69,270)	482,513	-
<b>Total Net Position</b>	<b>1,471,264</b>	<b>1,715,437</b>	<b>3,186,701</b>	<b>608,331</b>

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

**CITY OF ROSEBUD, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**September 30, 2022**

<b>Functions / Programs</b>	<b>Program Revenues</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
Primary government:			
Governmental activities:			
General Government	408,840	10,890	\$167,462
Public safety	303,112		
Public Works	231,920		
Culture and recreation	100,596	440	
Municipal Court	115,810	119,531	0
Schedule of Pension Expenses	915		
Interest on long-term debt	8,213		
Total governmental activities	<u>1,169,406</u>	<u>130,861</u>	<u>167,462</u>
Business-type activities:			
Grant expenses	0		0
Water, Sewer and Sanitation	914,921	822,132	6,050
Total business-type activities	<u>914,921</u>	<u>822,132</u>	<u>6,050</u>
 Total primary government	 <u>2,084,327</u>	 <u>952,993</u>	 <u>173,512</u>
 Component Unit:			
Economic Development Corporation	\$37,578		\$0
Total Component Unit	<u>\$37,578</u>	<u>\$0</u>	<u>\$0</u>

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

Functions / Programs	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Primary Government			Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Primary government:				
Governmental activities:				
General Government	(230,488)		(230,488)	
Public safety	(303,112)		(303,112)	
Public Works	(231,920)		(231,920)	
Culture and recreation	(100,156)		(100,156)	
Municipal Court	3,721		3,721	
Pension expenses	(686)	(229)	(915)	
Interest on long-term debt	(1,915)	(6,298)	(8,213)	
Total governmental activities	(864,556)	(6,527)	(871,083)	0
Business-type activities:				
Water, Sewer and Sanitation		(86,739)	(86,739)	
Total business-type activities	0	(86,739)	(86,739)	0
Total primary government	(864,556)	(93,266)	(957,822)	0
Component Unit:				
Economic Development Corporation				0
Total Component Unit	\$0	\$0	\$0	(\$37,578)
General Revenues:				
Property tax	474,708		474,708	
Sales tax	151,340		151,340	65,298
Franchise fees	122,083		122,083	
Investment earnings	6,903	1,544	8,447	0
Miscellaneous	41,507	0	41,507	0
Transfers	(102,799)	102,799	0	0
Total General Revenues	693,742	104,343	798,085	65,298
Change in net position	(170,814)	11,077	(159,737)	27,720
Net Position - Beginning	1,642,078	1,704,360	3,346,438	580,611
Net Position - Ending	\$1,471,264	\$1,715,437	\$3,186,701	\$608,331

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

**CITY OF ROSEBUD, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2022**

<u>ASSETS</u>	<u>General</u>	<u>Capital Projects</u>	<u>Other Govt. Funds</u>	<u>Total</u>
Cash	368,798	\$0	\$0	\$368,798
Restricted cash	0	48,142	67,072	115,214
Taxes receivable	186,286			186,286
Allowance for uncollectible taxes	(7,885)			(7,885)
Other receivables, net of allowance for uncollectibles	39,970			39,970
Due from other funds	0			0
<b>Total Assets</b>	<b>\$587,169</b>	<b>\$48,142</b>	<b>\$67,072</b>	<b>\$702,383</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable & accrued expenses	19,006			19,006
Unearned revenues	178,401			178,401
<b>Total Liabilities</b>	<b>197,407</b>			<b>197,407</b>
Fund Balances:				
Nonspendable				
Restricted for Debt Service			8,881	8,881
Restricted for Court Tech, Security, JIF			22,979	22,979
Restricted for Police			9,083	9,083
Committed for Capital Projects		48,142		48,142
Committed for Parks and Recreation			25,511	25,511
Committed for Fire truck			618	618
Assigned				
Unassigned	389,762			389,762
<b>Total Fund Balances</b>	<b>389,762</b>	<b>48,142</b>	<b>67,072</b>	<b>504,976</b>
<b>Total Liabilities and Fund Balances</b>	<b>587,169</b>	<b>48,142</b>	<b>67,072</b>	<b>702,383</b>

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



**CITY OF ROSEBUD, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2022**

Total fund balances-governmental funds \$504,976

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

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

	288,807	
Land	\$25,075	
Automotive	1,106,915	
Buildings and Improvements	564,263	
Machinery and Equipment	568,855	
Office Equipment	17,133	
Infrastructure	55,492	
Accumulated Depreciation	<u>(1,797,771)</u>	
Total capital assets	<u>\$828,769</u>	\$828,769
	0	
Deferred Outflows or Resources	24,950	
Plan Fiduciary Net Liability	<u>3,870</u>	\$28,820

Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected. 0

Unearned Property taxes not collected	<u>\$178,401</u>	\$178,401
Deferred Inflows of Resources		(45,200)

Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Loans	\$24,502	
	0	
	0	
	<u>\$24,502</u>	<u>(\$24,502)</u>

Net position of governmental activities \$1,471,264

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

**CITY OF ROSEBUD, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2022**

<u>Revenues</u>	General	Capital Projects	Govt. Funds	Total
Ad valorem tax	\$343,241		\$34,068	\$377,309
Sales tax	151,340			151,340
Franchise fees	122,083			122,083
Fine and forfeitures	119,531			119,531
Charges for services	11,330			11,330
Grant income	167,462	0		167,462
Miscellaneous	41,507		0	41,507
Interest income	6,903	0	0	6,903
Total Revenues	963,397	0	34,068	997,465
 <u>Expenditures</u>				
Current:				
General government:				
Administration	407,730	0		407,730
Public works	208,735	0		208,735
Judicial	115,810			115,810
Grant expenses	0			0
Public Safety				
Police	159,485			159,485
Fire	33,869			33,869
Culture and recreation:				
Library	87,839			87,839
Parks	12,757			12,757
Debt Service:				
Principal	0		20,516	20,516
Interest and fiscal cost	0		6,409	6,409
Bond issuance cost	0	0		0
Capital Outlay	39,057	0		39,057
Total Expenditures	1,065,282	0	26,925	1,092,207
Deficiency of Revenues Over Expenditures	(101,885)	0	7,143	(94,742)
 Other Financing Sources:				
Transfers in	13,531	10,048	0	23,579
Transfers out	(102,799)	0	(23,579)	(126,378)
Loan proceeds	0	0		0
Total Other Financing Sources	(89,268)	10,048	(23,579)	(102,799)
Net Change in Fund Balance	(191,153)	10,048	(16,436)	(197,541)
Fund Balances - beginning of year	580,915	38,094	83,508	702,517
Fund Balances - end of year	\$389,762	\$48,142	\$67,072	\$504,976

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

**CITY OF ROSEBUD, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2022**

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

Net change in fund balances ----- total governmental funds (\$197,541)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay expenditures	\$39,057	
Depreciation expense	(136,079)	
	<u>(\$97,022)</u>	(\$97,022)

Total Pension Expense not recognized in governmental funds \$ (686)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes not collected	\$178,401	
Less prior year	(81,002)	
	<u>\$97,399</u>	\$97,399

Some 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.

Debt service - principal	\$20,516	
Difference in Deferred Inflows/Outflows	6,520	
	<u>27,036</u>	<u>\$27,036</u>

Change in net position of governmental activities (\$170,814)

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

**CITY OF ROSEBUD, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2022**

	<b>Business-type Activities Enterprise</b>
	<b>Water, Sewer and Sanitation Fund</b>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	1,271,838
Accounts receivable	68,135
Capital assets:	
Land	9,800
Automobiles	97,573
Sewer & Water System	4,277,950
Machinery and Equipment	112,546
Grant construction in progress	163,062
Less accumulated depreciation	(2,932,108)
Total capital assets	1,728,823
Total Assets	3,068,796
Deferred Outflows of Resources	8,317
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	36,401
Accrued liabilities	7,074
Long-term Liabilities	1,141,332
Net Pension Liability	(1,290)
Total Liabilities	1,183,517
Deferred Inflows of Resources	178,159
<b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	1,728,823
Unrestricted	(69,270)
Restricted	55,884
Total Net Position	\$1,715,437

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

**CITY OF ROSEBUD, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION – PROPRIETARY FUND**  
**For the Year Ended September 30, 2022**

	<b>Business-type Activities Enterprise Fund</b>
	<b>Water, Sewer and Sanitation Fund</b>
<b><u>Operating Revenues</u></b>	
Water, Sewer, and Sanitation	\$822,132
Grant income	6,050
Other Revenues	0
	828,182
<b><u>Operating Expenses</u></b>	
Garbage collection cost	135,447
Purchased water	251,642
Salaries and related expense	85,639
Water Services Contract	19,200
Equipment repairs and replacement	53,533
Depreciation	138,584
Grant expenses	0
Other services and charges	237,403
	921,448
Total Operating Expenses	921,448
Operating Income	(93,266)
<b><u>Nonoperating Revenues</u></b>	
Interest Income	1,544
Total Nonoperating Revenues	1,544
Income Before Transfers	(91,722)
Transfers In	102,799
Change in Net Position	11,077
Net Position - beginning	1,704,360
Net Position - ending	1,715,437

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

**CITY OF ROSEBUD, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended September 30, 2022**

	<b>Business-type Activities</b>
	<b>Enterprise Fund</b>
	<b>Water, Sewer and Sanitation Fund</b>
<b><u>Cash Flows from Operating Activities</u></b>	
Cash received from customers	\$822,762
Cash paid to suppliers	(685,790)
Cash paid to employees	(72,894)
Advances from other funds	0
Subsidy from federal grant	0
Net Cash Provided by Operating Activities	64,078
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Grant revenues received	102,799
Grant expenditures	(46,916)
Net Cash used by Noncapital Financing Activities	55,883
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Principal payments on loan	(71,348)
Acquisition of capital assets	(80,573)
Net Cash Used by Capital and Related Financing Activities	(151,921)
<b><u>Cash Flows from Investing Activities</u></b>	
Interest received	1,544
Net Cash Provided by Investing Activities	1,544
Net Increase in Cash and Cash Equivalents	(30,416)
Cash and cash equivalents - beginning of year	80,812
Cash and cash equivalents - end of year	\$50,396
<b><u>Reconciliation of operating income to net cash provided by operating activities:</u></b>	
Operating income	(\$93,266)
Adjustments to reconcile operating loss to net cash provided by Operating Activities:	
Depreciation expense	138,584
Decrease in accounts receivable	630
Total pension expense is not a cash expense	229
Increase in accounts payable	20,325
increase in accrued liabilities	7,074
increase (decrease) in deferred outflows & deferred inflows	(9,498)
Total Adjustments	157,344
Net Cash Provided by Operating Activities	\$64,078

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

**CITY OF ROSEBUD, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The City of Rosebud, Texas was incorporated in 1905 as a Type A General Law Municipality, pursuant to the laws of the State of Texas. The City operates under a "Mayor-Alderman" form of government and provides services authorized by its charter. Presently, these services include police and fire protection, street repair and maintenance, planning and zoning, park maintenance, and general administrative services.

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements of the City of Rosebud (the City).

The City is an independent political subdivision of the State of Texas, governed by a mayor and six aldermen (two from each of three wards), and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the City's financial reporting entity.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14, and includes all component units of which the City appoints a voting majority of the unit's board; the City is either able to impose its will on the unit of a financial benefit or burden relationship exists,

**Discretely Presented Component Unit**

Discretely presented component units are separate legal entities that meet the component unit criteria described above. Currently, the Rosebud Economic Development Corporation meets the above criteria and is discretely presented within the government-wide financial statements of the City. The Rosebud Economic Development Corporation was formed October 9, 2000 by resolution of City Council. By special election dated August 12, 2000, the Citizens of the City of Rosebud Texas approved adoption of a one half of one percent sales tax pursuant to Section 4B of the Development Corporation Act of 1979.

Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are; that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City's non-fiduciary activities with most of the inter-fund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues. Business type activities include programs supported by water and sewer revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include water and sewer payments, police fines, etc. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet. All inter-fund transactions between governmental funds are eliminated on the government-wide statements.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increase and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.



**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)**

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State 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.

**D. FUND ACCOUNTING**

The City reports the following major governmental funds:

1. **General Fund** – the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. **Debt Service Fund** – used to account for the resources accumulated and payments made for principal and interest on long-term certificate of obligation debt of governmental funds.
3. **Capital Projects Fund** – used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed proprietary funds). Capital projects are funded primarily by certificates of obligation.

The City reports the following major proprietary fund:

2. **Enterprise Fund** – used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, cost incurred and/or net income is necessary for management accountability. This fund include the Utility Fund – Water, Sewer and Sanitation Fund.

**E. OTHER ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows, cash and cash equivalents include all cash and certificates of deposit having an original maturity date of less than three months.

The investment policies of the City are governed by State Statute and an adopted City Investment Policy. Major provisions of the City’s investment policy include: responsibility for investments, authorized investments, bank and security dealer selection and qualifying procedures, safekeeping and custodial procedures, statement of investment objectives and investment reporting procedures. This policy permits investment in U.S. Treasury or U.S. Agency issues, mutual funds, public funds investment pools and repurchase agreements. Statutes require that securities underlying repurchase agreements be limited to federal government securities having a market value of at least 1052 percent of the cost of the repurchase agreement.

**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

**E. OTHER ACCOUNTING POLICIES (Continued)**

2. Capital Assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Infrastructure is not held to the \$1,000 limit; all infrastructure, purchased after October 1, 2003 (prospective method) is capitalized regardless of cost. The City inventoried its general fixed assets at October 1, 2003 and they are valued at original cost where such cost was known, otherwise, they are valued at estimated historical cost.

Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives.

Buildings 40, Building improvements 40; Vehicle 5; Infrastructure 50; Equipment 10; Water and sewer system 40; Sanitation system – Disposal plant 20;

3. During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payable are, for the most part, eliminated from the Government-Wide Statements of Net Assets and are classified a “due from other funds” or “due to other funds” in the fund financial statements. Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.
4. The City records the purchase of supplies as expenditures/expenses at the time of purchase and does not maintain inventory.
5. In the fund financial statements of the governmental funds, the City can reserve portions of fund equity in the governmental fund financial statements. Reserves of fund equity represent those portions of fund equity not appropriate for expenditure or legally restricted by outside parties for use for a specific purpose.

**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

6. The City allows carryover of vacation only with prior scheduling and approval. Each employee is granted 80 hours of vacation at the employee's anniversary date. Any accrued vacation balance is paid upon termination.

One day of sick pay is accrued for each month of service. Unused sick days can be carried forward, but will not be paid on termination.

All compensated absences are accrued when incurred and are included in the government-wide, and fund financial statements.

7. The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.
8. The City applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.
9. The City is a Type A General Law Municipality with a maximum tax rate for all purpose of \$1.50 per 100 assessed valuation. This maximum tax rate is imposed by the Constitution of the State of Texas. Within this \$1.50 maximum, there is not legal limit upon the amount of taxes which can be levied for debt service. All taxes due the City on real or personal property are collected by the Falls County Tax Assessor-Collector and may be paid at any time after the tax tolls have been completed and approved, which is not later than October 1. Current taxes become delinquent on February 1 following the tax year. There are various penalties for delinquent taxes; there are not discounts allowed on taxes. The procedure for collecting delinquent taxes is to refer to a collection attorney after sending two delinquent notices and a letter. All properties located within the City limits on January 1 of each year are charged with a special lien in favor of the City from such date for taxes due thereon.
10. Transactions between funds that would be treated as revenues, expenditures, or expenses, if they involved organizations external to the governmental unit, are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursement of a fund for expenditures or expenses initially made from that fund, which are properly attributable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Nonrecurring or non-routine transfers of equity between funds are reported as additions to, or reductions of, the fund balance of governmental fund types. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary fund types.

**Pensions:**

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS.

**CITY OF ROSEBUD, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

b. Measurement Focus, Basis of Accounting (continued)

consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

**Deferred Outflows/Inflows of Resources:**

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

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGET AND DATA**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council.
4. Budget revisions may be made during the year.
5. The City over-expended its budget in the general fund area as follows:

**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

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

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investment, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**III. DETAILED NOTES ON ALL FUNDS**

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

Additional Contracted Provisions governing deposits and investments are as follows:

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

**Deposits**

As of September 30, 2022, the City's deposit balances were as follows:

	<b>Primary Government</b>	<b>Component Unit</b>	<b>Total Reporting Entity</b>
1. Insured (FDIC)	\$250,000	\$250,000	\$500,000
2 Uninsured, collateralized with securities held by pledging financial institution's agent in the entity's name.	1,505,850	74,975	1,580,825
4. Uninsured and uncollateralized			
Total Deposits	1,755,850	\$324,975	\$2,080,825
Carrying Amount	1,755,850	324,975	\$2,080,825

Policies Governing Deposits and Investments

1. Foreign Currency Risk – The City's deposits and investments are not exposed to foreign currency risk.
2. Custodial Credit Risk – The City's policy is to be collateralized. The City was fully collateralized during the year.
3. Interest Rate Risk – The City has no debt securities which have interest rate risk.

**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

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

Policies Governing Deposits and Investments

4. Credit Risk – In compliance with the City’s Investment Policy, as of September 30, 2009, the City minimized credit risk loss due to default of a security issuer or backer, by: limiting investments to the safest types of securities; limiting Certificates of Deposits that are insured by the Federal Deposit Insurance Corporation (FDIC); limiting the City’s investments to obligations issued, guaranteed, insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized.

Concentration Risk – The City’s deposits and investments are not exposed to concentration risk.

**B. PROPERTY TAXES**

Property taxes for each year are levied on approximately October 1 and are due upon receipt of the tax bill and become delinquent on February 1 of the following year. On January 1 of each year, a tax lien is attached to the property to secure the payment of all taxes, penalties, and interest. The lien exists in the factor of the State and each taxing unit. Appraised values are established by the Central Appraisal District (CAD) of Falls County, Texas, through procedures established by the Texas Legislature. The County Tax Assessor Collector bills and collects the City’s property taxes. The County bills the City’s tax levies as soon as possible after certification of taxable values by the CAD, which is approximately August 1 as noted above. Additional tax bills are sent in December, February, April and July (which includes a surcharge for legal costs associated with collection).

In August, delinquent taxes are turned over to the County’s delinquent tax attorneys for final collection or other disposition.

**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

**B. PROPERTY TAXES (Continued)**

The City has enacted an ordinance providing for the exemption of \$5,000 of the assessed value of residential homesteads, for persons 65 years of age or older, from property taxes. This is provided by Section 1-b of Article 8 of the Constitution of Texas. An exemption of \$12,000 is allowed disabled veterans on any one piece of property. Additionally, the market value of agricultural land is reduced to agricultural value for purposes of the City's tax levy calculation.

The City is permitted, by Article XI, Section 5 of the State of Texas Constitution and the City Charter, to levy property taxes up to \$1.50 per \$100 of assessed valuation for general governmental services. Within the \$1.50 maximum levy, there is no legal limit upon the amount of property taxes which can be levied for debt service. The total Ad Valorem tax levy was \$435,681.

Property taxes as of September 30, 2022, are as follows:

Current Taxes Receivable	\$37,257
Delinquent Taxes Receivable	149,029
	\$186,286

**C. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at year end for the government's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	and Water and Sewer	Component Unit
Receivables:			
Accounts	\$26,261	\$68,135	
Property Taxes	\$186,286		
Sales Tax & Franchise Tax	6,552		5,541
Less: allowance for uncollectibles	(7,885)		
Franchise	7,157	0	
Mortgage			119,885
Net total receivables	\$218,371	\$68,135	\$125,426

In the proprietary funds, the City records certain revenues billed to other governmental agencies, residents, and others on a monthly basis. Adjustments to revenue are made for uncollectible accounts as determined by management.

The Rosebud EDC holds mortgages receivables from companies which are due in monthly installments. The loans are from funds received from a grant which was received in previous years.



**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

**C. DISAGGREGATION OF RECEIVABLES AND PAYABLES (Continued)**

Payables at September 30, 2022, were as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Component Unit</u>
Accounts Payable:	10,559	36,401	
Accrued liabilities	8,447	0	
 Total Payables	<u>19,006</u>	<u>36,401</u>	<u>0</u>

**D. INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivable and payable balances at September 30, 2022 were:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$0	
Water, Sewer and Sanitation Fund		0
Total All Funds	<u>\$0</u>	<u>\$0</u>

**E. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$25,075			\$25,075
Total capital assets, not being depreciated	25,075			25,075
Capital assets, being depreciated:				
Buildings and Improvements	564,263	0		564,263
Machinery and Equipment	529,798	39,057		568,855
Automotive	1,106,915	0		1,106,915
Office Equipment	17,133			17,133
Infrastructure	55,492			55,492
Construction in Progress	288,807			288,807
Total capital assets, being depreciated	2,562,408	39,057	0	2,601,465
Less accumulated depreciation	(1,661,692)	(136,079)	0	(1,797,771)
Total capital assets, being depreciated net	900,716	(97,022)	0	803,694
Governmental capital assets, net	<u>925,791</u>	<u>(97,022)</u>	<u>0</u>	<u>828,769</u>

**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

**E. CAPITAL ASSETS (Continued)**

	Beginning Balance	Increase	(Decrease)	Ending Balance
<b>Business-type activities</b>				
Capital assets, not being depreciated	0			
Land	\$9,800			\$9,800
Total capital assets, not being depreciated	9,800			9,800
Capital assets, being depreciated:				
Infrastructure	4,277,950			4,277,950
Automotive Equipment	97,573			97,573
Machinery and Equipment	94,915	17,631		112,546
Construction in progress from grants	100,120	62,942	0	163,062
Total capital assets, being depreciated	4,570,558	80,573		4,651,131
Less accumulated depreciation	(2,793,524)	(138,584)		(2,932,108)
Total capital assets, being depreciated	1,777,034	(138,584)	0	1,719,023
Business-type capital assets, net	1,786,834	(58,011)	0	1,728,823

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

Governmental activities:	
Administration	\$1,110
Public Safety	111,784
Public Works	23,185
Total depreciation expense - governmental activities	<u>\$136,079</u>

Business-type activities:	
Water, sewer and sanitation	\$138,584
Total depreciation expense - business-type activities	<u>\$138,584</u>

**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

**F. LONG-TERM DEBT**

The City's long-term debt at September 30, 2022 is comprised of the following individual issues:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Note Payable:		
\$60,000 promissory note date October 10, 2016, due in annual payments of \$13,550 on January 15th, maturing January 15, 2022, bearing interest at 3.88% to Extraco Bank for a 2016 Ford Interceptor	\$0	
\$177,421 promissory note dated October 22, 2020 due in annual installments of \$20,884 thru November 15, 2030, interest at 3.05%		161,322
\$1,020,000 Certificate of Obligation Bonds Series 2020 due in annual installments of \$35,000 thru 2050, interest rate of \$0.		980,000
\$71,529 promissory note date December 22, 2014, due in annual installments of \$8,881 maturing December 30, 2024, bearing interest at 4.123%	24,502	
Note Payable:		
\$75,573 promissory note dated June 30, 2017 monthly payments of \$16,762, maturing June 30, 2022, bearing interest at 3.5% to Incommons Bank for Tractor.		
	\$24,502	1,141,322

The annual requirements to maturity for the above long-term debt are as follows:

Fiscal Year Ending	Principal	Interest	Total
2023	7,867	1,014	8,881
2024	8,192	689	8,881
2025	8,443	438	8,881
Total	\$24,502	\$2,141	\$26,643

**CITY OF ROSEBUD, TEXAS  
NOTES TO FINANCIAL STATEMENTS (Continued)**

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

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

The annual requirements to maturity for the above long-term debt are as follows:

Fiscal Year Ending	Principal	Interest	Total
2023	15,936	4,948	20,884
2024	16,422	4,462	20,884
2025	16,923	3,961	20,884
2026	17,439	3,445	20,884
2027	94,611	8,914	103,525
Total	\$161,331	\$25,730	\$187,061

Fiscal Year Ending	Principal	Interest	Total
2023	35,000	0	35,000
2024	35,000	0	35,000
2025	35,000	0	35,000
2026	35,000	0	35,000
2027	35,000	0	35,000
2028-2050	805,000	0	805,000
Total	\$980,000	\$0	\$980,000

**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**Changes in Long-Term Liabilities**

	Amounts Outstanding 10/1/2021	Additions	Retirements	Amounts Outstanding 9/30/2022	Current Portion
<b>Governmental Activities</b>					
Extraco Bank	12,960	-	12,960	-	-
Spirit of Texas bank	32,058	-	7,556	24,502	7,867
Total	<u>45,018</u>	-	<u>20,516</u>	<u>24,502</u>	<u>7,867</u>
<b>Business-Type Activities</b>					
Government Capital Corporation	176,526	-	15,194	161,332	15,936
Incommons Bank	16,154	-	16,154	-	-
Series 2020 Certificates of Obligation B	<u>1,020,000</u>	-	<u>40,000</u>	<u>980,000</u>	<u>35,000</u>
Total	<u>1,212,680</u>	-	<u>71,348</u>	<u>1,141,332</u>	<u>50,936</u>

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

**G. DEFERRED REVENUE**

Deferred revenue at year end consisted of the following:

Unearned property tax revenue	<u>\$178,401</u>
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**H. INTERFUND TRANSFERS**

Interfund transfers during the year ended September 30, 2022 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$102,799
Water, Sewer and Sanitation Fund	<u>102,799</u>	
Total	<u>\$102,799</u>	<u>\$102,799</u>

**CITY OF ROSEBUD, TEXAS  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**I. DEFINED BENEFIT PENSION PLAN**

Plan Description

The City of Rosebud participates as one of 860 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 report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

B. Benefits Provided

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

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

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>12</u>
Total	39

C. Contributions

The contribution rate for the employees in TMRS is 5%, 6% and 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 annually determined 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.

**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

Employees for the City of Rosebud were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Rosebud were 5% and 5% in calendar years 2022 and 2021 respectively. The city's contributions to TMRS for the year ended September 30, 2022 were \$26,184, and were equal to the required contributions.

D. Net Pension Liability

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

Actuarial assumptions:

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

Inflation 2.5% per year

Overall payroll growth 3.0% to 10.5% 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 Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB on account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

**I. PENSION PLAN (Continued)**

Actuarial assumptions used in the December 31, 2021, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2016 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2010 through 2014, and dated December 31, 2016. These assumptions were first used in the December 31, 2016 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2021 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

**Discount Rate**

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



CITY OF ROSEBUD, TEXAS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

City of Rosebud  
 Schedule of Changes in Net Pension Liability and Related Ratios Current Period  
 September 30, 2022

<b>A. Total pension liability</b>		
1. Service Cost	\$	26,506
2. Interest (on the Total Pension Liability)		23,325
3. Changes of benefit terms		-
4. Difference between expected and actual experience		(5,452)
5. Changes of assumptions		-
6. Benefit payments, including refunds of employee contributions		(18,365)
7. Net change in total pension liability	\$	26,014
8. Total pension liability - beginning		341,489
9. Total pension liability - ending	\$	<u>367,503</u>
<b>B. Plan fiduciary net position</b>		
1. Contributions - employer	\$	7,005
2. Contributions - employee		19,179
3. Net investment income		47,227
4. Benefit payments, including refunds of employee contributions		(18,365)
5. Administrative Expense		(223)
6. Other		2
7. Net change in plan fiduciary net position	\$	54,825
8. Plan fiduciary net position - beginning		369,494
9. Plan fiduciary net position - ending	\$	<u>424,319</u>
<b>C. Net pension liability [A.9-B.9]</b>	\$	<u>(56,816)</u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]</b>		115.46%
<b>E. Covered-employee payroll</b>	\$	383,588
<b>F. Net pension liability as a percentage of covered employee payroll [C / E]</b>		-14.81%

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$(11,691)	\$(56,816)	\$(94,126)

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](http://www.tmr.com)

**CITY OF ROSEBUD  
SCHEDULE OF PENSION EXPENSE  
SEPTEMBER 30, 2022**

1. Total Service Cost	\$ 26,506
2. Interest on the Total Pension Liability	23,325
3. Current Period Benefit Changes	-
4. Employee Contributions (Reduction of Expense)	(19,179)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(24,941)
6. Administrative Expense	223
7. Other Changes in Fiduciary Net Position	(2)
8. Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(1,948)
9. Recognition of Current Year Outflow (Inflow) of Resources - Assets	(4,458)
10. Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(916)
11. Amortization of Prior Year Outflows (Inflows) of Resources - Assets	(2,996)
12. Total Pension Expense	<u>\$ (4,386)</u>

**CITY OF ROSEBUD**  
**SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE**  
**SEPTEMBER 30, 2022**

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2021 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	2.8000	\$ (5,452)	\$ (1,948)	\$ (3,504)
Difference in assumption changes [actuarial (gains) or losses]	2.8000	\$ -	\$ -	\$ -
			<u>\$ (1,948)</u>	<u>\$ (3,504)</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings  on pension plan investments [actuarial (gains) or losses]	5.0000	\$ (22,287)	\$ (4,458)	\$ (17,829)
			<u>\$ (4,458)</u>	<u>\$ (17,829)</u>
<u>Total:</u>				<u>\$ (21,333)</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2022	\$ (6,560)
2023	(10,874)
2024	(4,895)
2025	(4,455)
2026	-
Thereafter	-
Total	<u>\$ (26,784)</u>

**CITY OF ROSEBUD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN**

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

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 on “other postemployment benefit,” or OPEB.

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 the employees’ entire careers.

The City’s contributions to the TMRS SDBF for the years ended 2022, 2021, and 2019 were \$1275, \$1275, and \$1,275 respectively, which equaled the required contributions each year.

TMRS records indicate the following percentages contributed by the City (as employer contributions) for the following fiscal years ending:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2017	N/A	N/A	100%
2018	N/A	N/A	100%
2019	0.00%	0.00%	100%
2020	0.00%	(city to provide)	(city to provide)
2021	0.00%	(city to provide)	(city to provide)

**Net Other Post Employment Benefits Liability.  
Actuarial Assumptions**

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2015 to December 31, 2019. These assumptions were adopted in 2019 and first used in the December 31, 2019 valuation.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

The Mortality Experience Investigation Study covering 2015 through 2019 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined Mortality Table 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 with scale BB to account for future mortality improvements subject to the 3% floor.

**CITY OF ROSEBUD, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER, 30, 2022**

**NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN**

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	2.75%

**Changes in the Net Other Post Employment Benefits Liability**

	<b>Increase (Decrease) Total OPEB Liability</b>
<b>Balance at 12/31/20</b>	<b>\$ 57,198</b>
Changes for the year	
Service Cost	2,762
Interest on Total OPEB liability	1,159
Changes of benefit terms	0
Differences between expected and actual experience	(9,618)
Changes in assumption or other inputs	1,381
Benefit payments	<u>(1,227)</u>
Net changes	(5,543)
Total OPEB Liability – end of year	\$51,655
 Total OPEB Liability as a Percentage of Covered Payroll	 13.47%

**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 current discount rate of 3.31% as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or -1 percentage point higher (4.31%) than the current rate. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity Index’s 20 year Municipal GO AA Index.

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB liability	\$61,968	\$51,655	\$43,745

**CITY OF ROSEBUD  
SCHEDULE OF OPEB EXPENSE  
SEPTEMBER 30, 2022**

1. Total Service Cost	2,762
2. Interest on the Total OPEB Liability	1,159
3. Changes in Benefit terms	-
4. Employer administrative costs	-
5. Recognition of deferred outflows/inflows of resources	
6. Difference between expected and actual experience	(2,013)
7. Changes in assumptions or other inputs	<u>3,393</u>
8 Total OPEB Expense	5,301

**CITY OF ROSEBUD, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER, 30, 2022**

**NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN**

**Other Information**

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer’s yearly contributions for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. In order to determine the retiree portion of the City’s Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:  
Total covered payroll \* retiree Portion of SDB Contribution (Rate)

			2021 Recognized in current opeb expense	Deferred (Inflow) Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	4.0900	(9,618)	(2,352)	(7,266)
Difference in assumption changes [actuarial (gains) or losses]	4.0900	1,381	338	1,043
			<u>(2,014)</u>	<u>(6,223)</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]		-	-	-
			<u>-</u>	<u>-</u>
<u>Total:</u>				<u>(6,223)</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2022	1,021
2023	1,740
2024	(791)
2025	(181)
2026	-
thereafter	-
Total	<u>1,789</u>

### **III. DETAILED NOTES ON ALL FUNDS (Continued)**

#### **J. COMMITMENTS AND CONTINGENCIES (Continued)**

As of September 30, 2022, the City of Rosebud, Texas did not have any pending litigation or potential, non-disclosed liabilities that would have a material effect on the financial statements.

#### **K. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), and Intergovernmental Risk – Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

The City also provides workers compensation insurance on its employees through TML.

During the year ended September 30, 2022, employees of the City were covered by a health insurance plan (the plan) with Texas Municipal League Intergovernmental Employee Benefit Program. The City paid premiums for employee coverage; optional dependent coverage is at the employee's expense. The City does not retain any risk of loss on health insurance.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF ROSEBUD, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE BUDGET TO ACTUAL – GENERAL FUND**  
**For the Year Ended September 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		
<b>Revenues</b>				
Ad valorem tax	458,862	458,862	377,309	(81,553)
Sales tax	83,665	83,665	100,907	17,242
EDC Sales tax	41,800	41,800	50,433	8,633
Franchise fees	118,801	118,801	122,083	3,282
Fine and forfeitures	423,049	423,049	119,531	(303,518)
Charges for services	27,675	27,675	5,050	(22,625)
Licenses and permits	5,725	5,725	5,840	115
Caywood Park rent	2,500	2,500	440	(2,060)
Miscellaneous income	120,000	120,000	41,507	(78,493)
Interest income	3,470	3,470	6,903	3,433
<b>Total Revenue</b>	<b>1,285,547</b>	<b>1,285,547</b>	<b>830,003</b>	<b>(455,544)</b>
<b>Expenditures</b>				
Current:				
General government				
Administration	402,013	402,013	407,730	(5,717)
Public Works	254,285	254,285	208,735	45,550
Judicial	188,582	188,582	115,810	72,772
Grant Expenses	-	-	-	-
Public Safety:				
Police	297,553	297,553	159,485	138,068
Fire	33,338	33,338	33,869	(531)
Culture and Recreation:				
Library	78,311	78,311	87,839	(9,528)
Parks	10,016	10,016	12,757	(2,741)
Debt Service:				
Principal	-	-	20,516	(20,516)
Interest and fiscal charges	3,450	3,450	6,409	(2,959)
Capital Outlay:	12,727	12,727	39,057	(26,330)
<b>Total Expenditures</b>	<b>1,280,275</b>	<b>1,280,275</b>	<b>1,092,207</b>	<b>188,068</b>
Excess (Deficiency) of Revenues				
Over Expenditures:	5,272	5,272	(262,204)	(267,476)
Other Financing Sources (Uses):				
Transfer In/(Out)	-	-	(102,799)	102,799
Grant income	-	-	167,462	167,462
Loan proceeds	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>64,663</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>5,272</b>	<b>5,272</b>	<b>(197,541)</b>	<b>(267,476)</b>
Fund Balances - beginning of year	302,528	302,528	702,517	
<b>Fund Balances - end of year</b>	<b>307,800</b>	<b>307,800</b>	<b>504,976</b>	<b>(267,476)</b>

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

**CITY OF ROSEBUD, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE BUDGET TO ACTUAL – PROPRIETARY FUND**  
**For the Year Ended September 30, 2022**  
**Budgeted Amounts**

	Original	Final	Actual Amounts	Variance with Final Budget -
<b>Revenues</b>				
Water Service Billed	309,150	309,150	314,290	5,140
Sewer Service Billed	264,341	264,341	268,619	4,278
Garbage Service Billed	168,161	168,161	169,088	927
Unapplied payments	2,745	2,745	4,120	1,375
Sales tax on garbage collection	13,104	13,104	13,029	(75)
Penalties	9,875	9,875	9,567	(308)
Reconnect fees	7,000	7,000	9,765	2,765
Late fees	675	675	750	75
Miscellaneous income	34,521	34,521	32,904	(1,617)
Interest income	2,500	2,500	1,544	(956)
Total Revenue	812,072	812,072	823,676	11,604
<b>Expenditures</b>				
CTWSC Water costs	240,000	240,000	251,642	(11,642)
Salaries and payroll taxes	99,622	99,622	85,639	13,983
Insurance	8,050	8,050	8,050	-
Contract Services	23,698	23,698	19,200	4,498
Communication	1,600	1,600	-	1,600
Supplies	800	800	-	800
Fuel & vehicle insurance & maintenance	12,825	12,825	-	12,825
Equipment rental	1,000	1,000	-	1,000
Inspection fees	5,265	5,265	4,834	431
Utilities	10,000	10,000	16,866	(6,866)
Office expenses	3,000	3,000	-	3,000
Garbage Fees	125,419	125,419	135,447	(10,028)
Water & Sewer Line improvements	62,727	62,727	-	62,727
Repairs & maintenance	55,400	55,400	53,533	1,867
Miscellaneous expenses	76,592	76,592	64,080	12,512
Water Franchise Tax	77,434	77,434	40,774	36,660
Depreciation	-	-	138,584	(138,584)
Total Expenditures	803,432	803,432	818,649	(3,575)
Excess (Deficiency) of Revenues				
Over Expenditures:	8,640	8,640	5,027	8,029
Other Financing Sources (Uses):				
Transfers In/(Out)	-	-	-	-
Grant income	1,020,000	1,020,000	6,050	1,013,950
Grant expenses	(1,020,000)	(1,020,000)	-	(1,020,000)
Total Other Financing Sources (Uses)	-	-	6,050	-
Net Change in Fund Balance	8,640	8,640	11,077	8,029
Fund Balances - beginning of year	1,664,330	1,664,330	1,704,360	
Fund Balances - end of year	1,672,970	1,672,970	1,715,437	8,029

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

**City of Rosebud**

**Schedule of Changes in Net Pension Liability and Related Ratios**

**Last ten years (will ultimately be displayed)**

	2016	2017	2018	2019	2020	2021
<b>Total pension liability</b>						
1. Service Cost	\$ 26,574	28,001	28,862	28,330	28,067	26,506
2. Interest (on the Total Pension Liability)	14,203	15,812	16,265	18,810	21,127	23,325
3. Changes of benefit terms	-	-	-	-	-	-
4. Difference between expected and actual experience	(690)	(18,387)	1,124	(5,186)	118	(5,452)
5. Changes of assumptions	-	-	-	2,320	-	-
6. Benefit payments	(6,169)	(27,761)	(10,522)	(6,052)	(13,571)	(18,365)
7. Net change in total pension liability	\$ 33,918	(2,335)	35,729	38,222	35,741	26,014
8. Total pension liability - beginning	200,214	234,132	231,797	267,526	305,748	341,489
9. Total pension liability - ending	\$ 234,132	231,797	267,526	305,748	341,489	367,503
<b>Plan fiduciary net position</b>						
1. Contributions - employer	\$ 5,238	7,554	8,058	7,647	8,351	7,005
2. Contributions - employee	19,511	20,559	20,557	20,149	20,338	19,179
3. Net investment income	13,177	30,883	(7,489)	40,229	24,465	47,227
4. Benefit payments	(6,169)	(27,761)	(10,522)	(6,052)	(13,571)	(18,365)
5. Administrative Expense	(149)	(163)	(149)	(234)	(162)	(223)
6. Other	(8)	(9)	(7)	(8)	(6)	2
7. Net change in plan fiduciary net position	\$ 31,600	31,063	10,448	61,731	39,415	54,825
8. Plan fiduciary net position - beginning	195,237	226,837	257,900	268,348	330,079	369,494
9. Plan fiduciary net position - ending	\$ 226,837	257,900	268,348	330,079	369,494	424,319
<b>Net pension liability [A.9-B.9]</b>	\$ 7,295	(26,103)	(822)	(24,331)	(28,005)	(56,816)
<b>Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]</b>	96.88%	111.26%	100.31%	107.96%	108.20%	115.46%
<b>Covered-employee payroll</b>	\$ 390,218	411,180	411,145	402,990	406,767	383,588
<b>Net pension liability as a percentage of covered employee payroll [C / E]</b>	1.87%	-6.35%	-0.20%	-6.04%	-6.88%	-14.81%

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

**City of Rosebud**  
**Schedule of Contributions**  
**Last 10 Fiscal Years (will ultimately be displayed)**  
**September 30, 2022**

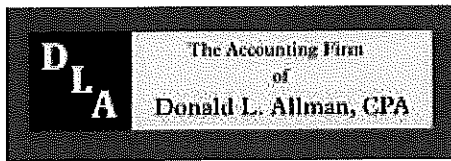
	2016	2017	2018	2019	2020	2021
Actually Determined Contribution	\$ 24,749	\$ 28,113	\$ 28,615	\$ 27,796	\$ 28,689	\$ 26,184
Contributions in relation to the determined contribution	<u>24,749</u>	<u>28,113</u>	<u>28,615</u>	<u>27,796</u>	<u>28,689</u>	<u>26,184</u>
Contribution deficiency (excess)	-	-	-	-	-	-
Covered employee payroll	\$ 390,218	\$ 411,180	\$ 411,145	\$ 402,990	\$ 406,767	\$ 383,588
Contributions as a percentage of covered employee payroll	6.34%	6.84%	6.96%	6.90%	7.05%	6.83%

**Noes to Schedule of Contributions**

Valuation Date determined	12/31/2021
Notes	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amorization Period	25 years
Asset Valuation Method	10 year smoothed market, 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 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.

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

**COMPLIANCE AND INTERNAL CONTROL SECTION**



Donald L. Allman, CPA, PC  
4749 Williams Drive, Ste. 322  
Georgetown, Texas 78633

CERTIFIED PUBLIC ACCOUNTANT

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

To the Mayor & City Council  
City of Rosebud, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rosebud, Texas, as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the City of Rosebud, Texas’ basic financial statements, and have issued our report thereon dated July 21, 2023.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Donald L. Allman, CPA, PC

Georgetown, TX  
July 21, 2023