



**CITY OF MURCHISON, TEXAS  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2020**

**CITY OF MURCHISON, TEXAS  
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FOR THE YEAR ENDED DECEMBER 31, 2020**

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DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Murchison, Texas as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Murchison, Texas, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows and respective budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 4 through 11, and the budgetary comparison information, on page 41, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

The supplementary information, on pages 42 through 43, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Restatement of Net Position – Proprietary Fund*

As part of my audit of the December 31, 2020 financial statements, I also audited the adjustments described in Note 2, on page 37 that were applied to restate the 2019 financial statements. In my opinion, such adjustments are appropriate and have been properly applied. I was not engaged to audit, review, or apply any procedures to the 2019 financial statements of the City other than with respect to the adjustment, and accordingly, I do not express an opinion or any other form of assurance on the 2019 financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated December 14, 2021, on my consideration of the City of Murchison, Texas' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Murchison, Texas' internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "David K. Godwin, CPA, PLLC". The signature is written in a cursive style.

David K. Godwin, CPA, PLLC

Tyler, Texas

December 14, 2021

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# Management's Discussion and Analysis



## Management's Discussion and Analysis For Year Ended December 31, 2020 (Unaudited)

The Management Discussion and Analysis of the City of Murchison's (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2020. Please read in conjunction with the City's financial statements which follow this section.

### FINANCIAL HIGHLIGHTS

#### Mayor and Council

##### **Bryan Wilkins**

*Mayor*

##### **Ken Baker**

*Mayor Pro-tem*

##### **Alisa Griffis, PhD**

*City Councilmember*

##### **Steve Kroll**

*City Councilmember*

##### **Roy Griffis**

*City Councilmember*

##### **Dana Joslin**

*City Councilmember*

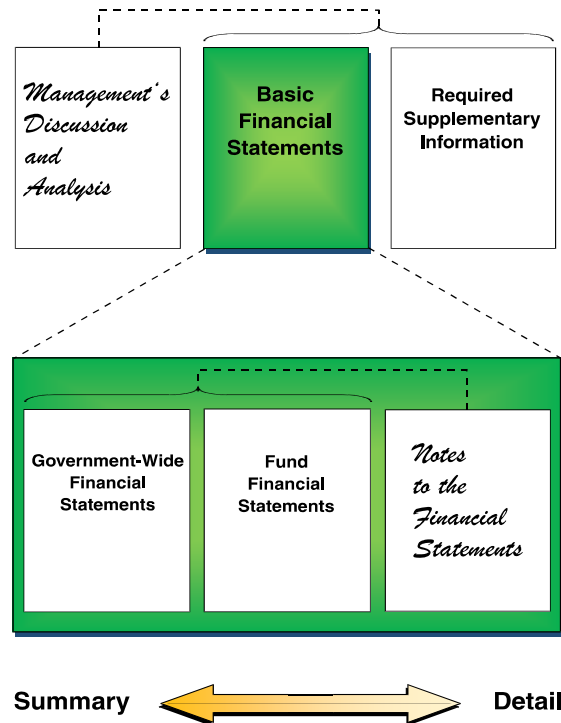
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1,801,654 (Net Position). Of this amount, \$760,642 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$295,116.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$277,694. Of this amount, \$277,694 is unassigned and available for use within the City's fund designation and fiscal policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$277,694, or 331% of the total general fund expenditures.
- The City had no long-term debt at the end of 2020.
- The Murchison Economic Development Corporation's total net position increased by \$46,472.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The City’s annual report consists of a series of financial statements, notes to those statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the City’s overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the City’s operations in more detail than the Government-Wide Statements.
  - The Governmental Funds Statements tell how general government services were financed in the short term as well as what remains for future spending.
  - Proprietary Fund Statements offer financial information about the internal service fund used to report activities that provide services to organizations within the City.

**Figure A-1 Required Components of the City’s Annual Financial Report**



The basic financial statements include notes that explain information contained within the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 (above) shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 (next page) summarizes the major features of the City’s financial statements, including the portion of the City’s government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.



**FIGURE A-2  
MAJOR FEATURES OF THE CITY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

<i>Type of Statement</i>	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire City's (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: Wastewater
<i>Required financial statements</i>	• Statement of net position	• Balance sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• Statement of revenues, expenses and changes in fund net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### Government-Wide Statements

The Government-Wide Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-Wide Statements report the City's net position and how it has changed. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's tax base.

The Government-Wide Financial Statements of the City include the governmental activities. The City's basic activities include general government, public safety, emergency services, highways and streets, public services, and culture and recreation. Fines, forfeitures and taxes finance most of these activities.

### **Fund Financial Statements**

The Fund Financial Statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices used by the City to track specific sources and uses of funding for specified activities.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two types of funds:

- **Governmental funds**—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the year-end balances that are available for spending. Consequently, the Governmental Fund Statements provide a detailed short-term view that helps you determine the level of financial resources that can be spent in the near term to finance the City's programs. Because this information does not encompass the additional long-term focus of the Government-Wide Statements, we provide additional information at the bottom of the Governmental Fund Statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary funds**—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-Wide Statements, provide both long-term and short-term financial information.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$1,801,654 as of December 31, 2020.

The largest portion of the City's net position, 57.78%, or \$1,041,012, reflects its investments in capital assets (e.g., land, building, equipment, vehicles, improvements and infrastructure), less any outstanding debt used in acquiring those assets. 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 liquidated to repay these liabilities.

## CITY OF MURCHISON'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets:</b>						
Current and Other Assets	\$ 277,902	\$ 202,302	\$ 503,540	\$ 420,839	\$ 781,442	\$ 623,141
Capital Assets	49,273	50,973	991,739	856,848	1,041,012	907,821
Total Assets	<u>327,175</u>	<u>253,275</u>	<u>1,495,279</u>	<u>1,277,687</u>	<u>1,822,454</u>	<u>1,530,962</u>
<b>Liabilities:</b>						
Non-Current Liabilities	-	-	16,113	21,510	16,113	21,510
Other Liabilities	208	1,526	4,479	1,388	4,687	2,914
Total Liabilities	<u>208</u>	<u>1,526</u>	<u>20,592</u>	<u>22,898</u>	<u>20,800</u>	<u>24,424</u>
<b>Net Position:</b>						
Invested in Capital Assets, Net of Related Debt	49,273	50,973	991,739	850,440	1,041,012	901,413
Restricted	-	-	-	6,408	-	6,408
Unrestricted	277,694	200,776	482,948	397,941	760,642	598,717
Total Net Position	<u>\$ 326,967</u>	<u>\$ 251,749</u>	<u>\$ 1,474,687</u>	<u>\$ 1,254,789</u>	<u>\$ 1,801,654</u>	<u>\$ 1,506,538</u>

The balance of unrestricted net position, \$760,642, may be used to meet the government's ongoing obligations to citizens and creditors.

As of December 31, 2020, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its business-type activities. In the prior fiscal year, the City also reported positive balances in all three categories of net position.

Analysis of the City's Operations - Overall the City had an increase in net position of \$295,116.

**Governmental Activities:** Net position for the governmental activities increased by \$75,218. Net position invested in capital assets, net of related debt, decreased by \$1,700 due to depreciation expenses and debt payments exceeding capital asset additions. The remaining change in net position is due to higher than expected sales tax collections.

Total revenues for the governmental activities increased from the previous year by \$53,587, primarily due to higher sales tax receipts during the year. General revenue increased \$53,537 during 2020, primarily due to similar activity.

**Business-type Activities:** Net position from business-type activities increased by \$219,898. This increase was primarily due to grant receipts and typical service charges associated with the water and sewer production and processing in 2020.

The following table provides a summary of the City's operations for the year ended December 31, 2020, with comparative totals for the year ended December 31, 2019.

## CITY OF MURCHISON'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Operating Revenues:						
Charges for Services	\$ 50	\$ -	\$ 297,540	\$ 267,756	\$ 297,590	\$ 267,756
Other	-	-	186,753	15,125	186,753	15,125
General Revenues:						
Taxes	159,171	103,986	-	-	159,171	103,986
Fines & Forfeitures	-	-	-	-	-	-
Miscellaneous	164	1,812	1,521	164	1,685	1,976
Total Revenues	<u>159,385</u>	<u>105,798</u>	<u>485,814</u>	<u>283,045</u>	<u>645,199</u>	<u>388,843</u>
<b>Expenses:</b>						
General Government	85,478	82,884	-	-	85,478	82,884
Water and Sewer	-	-	264,895	240,894	264,895	240,894
Total Expenses	<u>85,478</u>	<u>82,884</u>	<u>264,895</u>	<u>240,894</u>	<u>350,373</u>	<u>323,778</u>
Increase (Decrease) in Total Revenues	<u>73,907</u>	<u>22,914</u>	<u>220,919</u>	<u>42,151</u>	<u>294,826</u>	<u>65,065</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest Income	17	14	360	321	377	335
Interest Expense	-	-	(87)	-	(87)	-
Total Non-operating Revenue (Expense)	<u>17</u>	<u>14</u>	<u>273</u>	<u>321</u>	<u>290</u>	<u>335</u>
Change in Net Position	75,218	22,928	219,898	42,472	295,116	65,400
Net Position – Beginning	<u>251,749</u>	<u>228,821</u>	<u>1,254,789</u>	<u>1,212,317</u>	<u>1,506,538</u>	<u>1,441,138</u>
Net Position – Ending	<u>\$ 326,967</u>	<u>\$ 251,749</u>	<u>\$ 1,474,687</u>	<u>\$ 1,254,789</u>	<u>\$ 1,801,654</u>	<u>\$ 1,506,538</u>

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$277,694; of this total amount, \$277,694, constitutes a surplus in unassigned fund balance.

In the general fund, the City's original budget planned for an increase in the fund balance on a budget basis. Actual revenues in all categories were higher than the final budgeted amounts by a total of \$27,572. Actual expenditures not including transfers were higher than final budgeted amounts by a total of \$17,638.

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

## CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$1,041,012 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, equipment, improvements, and infrastructure. The total increase in capital assets for the current fiscal year was \$133,191, or 14.67%.

Major capital asset additions during fiscal year 2020 included \$9,945 for street improvements and \$193,628 for construction and infrastructure improvements of the City's waterworks system.

### CAPITAL ASSETS AT YEAR-END AND ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,680	\$ 1,680	\$ 25,340	\$ 25,340	\$ 27,020	\$ 27,020
Construction in Progress	-	-	208,753	15,125	208,753	15,125
Buildings & Improvements	18,840	18,840	-	-	18,840	18,840
Equipment	-	2,757	65,703	82,805	65,703	85,562
Infrastructure	313,674	303,729	-	-	313,674	303,729
Park Improvements	20,262	20,262	-	-	20,262	20,262
Waterworks System	-	-	2,005,093	2,043,165	2,005,093	2,043,165
Accumulated Depreciation	(305,183)	(296,295)	(1,313,150)	(1,309,587)	(1,618,333)	(1,605,882)
Total	\$ 49,273	\$ 50,973	\$ 991,739	\$ 856,848	\$ 1,041,012	\$ 907,821

Additional information on the City's capital assets can be found in Note 1 on page 29 and in Note 2 on page 35 in the notes of this report.

### DEBT ADMINISTRATION

At the end of the current and prior fiscal years, the City had no bonded debt.

### REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Murchison, Attn: City Secretary at 9540 FM 773, Murchison, Texas 75778, or call (903) 469-3710.

# Basic Financial Statements

# Government-Wide Financial Statements

**CITY OF MURCHISON, TEXAS**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	MEDCO
<b>ASSETS</b>				
Cash and cash equivalents	\$ 253,450	\$ 435,889	\$ 689,339	\$ 160,610
Investments	-	26,509	26,509	-
Receivables (net of allowances):				
Sales taxes	21,101	-	21,101	7,034
Franchise taxes	3,351	-	3,351	-
Other	-	25,012	25,012	-
Restricted cash and cash equivalents	-	16,130	16,130	-
Capital assets:				
Land and other non-depreciated assets	1,680	234,093	235,773	-
Other capital assets - net of depreciation	47,593	757,646	805,239	-
<b>Total assets</b>	<b>327,175</b>	<b>1,495,279</b>	<b>1,822,454</b>	<b>167,644</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	208	4,479	4,687	-
Long-term liabilities:				
Due within one year	-	-	-	-
Due in more than one year	-	16,113	16,113	-
<b>Total liabilities</b>	<b>208</b>	<b>20,592</b>	<b>20,800</b>	<b>-</b>
<b>NET POSITION</b>				
Investment in capital assets, net of related debt	49,273	991,739	1,041,012	-
Unrestricted	277,694	482,948	760,642	167,644
<b>Total net position</b>	<b>\$ 326,967</b>	<b>\$ 1,474,687</b>	<b>\$ 1,801,654</b>	<b>\$ 167,644</b>

The notes to the financial statements are an integral part of this statement.



**CITY OF MURCHISON, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNIT
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	MEDCO
Primary government:							
Governmental activities:							
Administration	\$ 73,361	\$ 50	\$ -	\$ (73,311)	\$ -	\$ (73,311)	
Municipal court	1,100	-	-	(1,100)	-	(1,100)	
Highways and streets	10,066	-	-	(10,066)	-	(10,066)	
Parks and recreation	951	-	-	(951)	-	(951)	
Total governmental activities	<u>85,478</u>	<u>50</u>	<u>-</u>	<u>(85,428)</u>	<u>-</u>	<u>(85,428)</u>	
Business-type activities:							
Waterworks	264,982	297,540	186,753	-	219,311	219,311	
Total business-type activities	<u>264,982</u>	<u>297,540</u>	<u>186,753</u>	<u>-</u>	<u>219,311</u>	<u>219,311</u>	
Total primary government	<u>\$ 350,460</u>	<u>\$ 297,590</u>	<u>\$ 186,753</u>	<u>(85,428)</u>	<u>219,311</u>	<u>133,883</u>	
Component unit:							
Murchison Economic Development Corporation	\$ 187	\$ -	\$ -				\$ (187)
Total component unit	<u>\$ 187</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(187)</u>
General revenues:							
Sales taxes				139,407	-	139,407	46,469
Franchise taxes				19,764	-	19,764	-
Investment earnings				17	360	377	190
Miscellaneous local and intermediate revenue				164	1,521	1,685	-
Transfers				1,294	(1,294)	-	-
Total general revenues and transfers				<u>160,646</u>	<u>587</u>	<u>161,233</u>	<u>46,659</u>
Change in net position				75,218	219,898	295,116	46,472
Net position - beginning, as restated				<u>251,749</u>	<u>1,254,789</u>	<u>1,506,538</u>	<u>121,172</u>
Net position - ending				<u>\$ 326,967</u>	<u>\$ 1,474,687</u>	<u>\$ 1,801,654</u>	<u>\$ 167,644</u>

The notes to the financial statements are an integral part of this statement.

# Fund Financial Statements

**CITY OF MURCHISON, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	<u>MAJOR FUND</u>	
	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>		
Cash	\$ 253,450	\$ 253,450
Receivables (net of allowances):		
Sales taxes	21,101	21,101
Franchise taxes	<u>3,351</u>	<u>3,351</u>
Total assets	<u>\$ 277,902</u>	<u>\$ 277,902</u>
<b>LIABILITIES</b>		
Accounts payable	<u>\$ 208</u>	<u>\$ 208</u>
Total liabilities	<u>208</u>	<u>208</u>
<b>FUND BALANCES</b>		
Unassigned fund balance	<u>277,694</u>	<u>277,694</u>
Total fund balances	<u>277,694</u>	<u>277,694</u>
Total liabilities and fund balances	<u>\$ 277,902</u>	<u>\$ 277,902</u>

**CITY OF MURCHISON, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances - governmental funds	\$ 277,694
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.	<u>49,273</u>
Net position of governmental activities	<u><u>\$ 326,967</u></u>

**CITY OF MURCHISON, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>MAJOR FUND</u>		<u>TOTAL</u>
	GENERAL		GOVERNMENTAL
	FUND		FUNDS
	<u>                    </u>		<u>                    </u>
<b>REVENUES</b>			
Taxes:			
Sales	\$ 139,407		\$ 139,407
Franchise	19,764		19,764
Licenses and permits	50		50
Interest income	17		17
Miscellaneous	164		164
	<u>159,402</u>		<u>159,402</u>
Total revenues			
<b>EXPENDITURES</b>			
Administration	72,733		72,733
Municipal court	1,100		1,100
Highways and streets	9,945		9,945
	<u>83,778</u>		<u>83,778</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>75,624</u>		<u>75,624</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers from other funds	1,294		1,294
	<u>1,294</u>		<u>1,294</u>
Total other financing sources (uses)			
Net change in fund balances	76,918		76,918
Fund balances - beginning of year	<u>200,776</u>		<u>200,776</u>
Fund balances - end of year	<u>\$ 277,694</u>		<u>\$ 277,694</u>

**CITY OF MURCHISON, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$ 76,918
The depreciation of capital assets used in governmental activities is not reported in the funds.	(11,645)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide statement of activities.	<u>9,945</u>
Change in net position of governmental activities	<u><u>\$ 75,218</u></u>

**CITY OF MURCHISON, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2020**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
<b>ASSETS</b>	<b>WATERWORKS</b>
Current assets:	
Cash	\$ 435,889
Investments	26,509
Accounts receivable (net)	25,012
Total current assets	487,410
Restricted assets:	
Cash	16,130
Total restricted assets	16,130
Noncurrent assets:	
Capital assets:	
Water and sewer system	2,005,093
Equipment	65,703
Land	25,340
Construction in progress	208,753
Less: accumulated depreciation	(1,313,150)
Total noncurrent assets	991,739
Total assets	1,495,279
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	4,479
Note payable	-
Total current liabilities	4,479
Liabilities payable from restricted assets:	
Customer deposits	16,113
Total liabilities payable from restricted assets	16,113
Total liabilities	20,592
<b>NET POSITION</b>	
Investment in capital assets, net of related debt	991,739
Unrestricted	482,948
Total net position	\$ 1,474,687

The notes to the financial statements are an integral part of this statement.

**CITY OF MURCHISON, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	WATERWORKS
<b>OPERATING REVENUES</b>	
Service charges	\$ 214,872
Garbage charges	82,668
Grants	186,753
Contributions and other	1,521
Total operating revenues	485,814
<b>OPERATING EXPENSES</b>	
Contract labor	116,729
Depreciation	64,337
Maintenance and repairs	34,259
Utilities	18,980
Payroll costs	11,774
Chemicals and supplies	9,779
Licenses and subscriptions	3,762
Professional fees and services	4,596
Other	679
Total operating expenses	264,895
Operating income	220,919
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	360
Interest expense	(87)
Total nonoperating expenses	273
Income before operating transfers	221,192
<b>TRANSFERS</b>	
Transfers in	-
Transfers out	(1,294)
Total transfers	(1,294)
Change in net position	219,898
Net position - beginning, as restated	1,254,789
Net position - end of year	\$ 1,474,687

The notes to the financial statements are an integral part of this statement.



**CITY OF MURCHISON, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	WATERWORKS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 298,973
Operating grants	186,753
Other cash receipts	1,521
Payments to suppliers	(68,964)
Payments to employees and contractors for service	(128,503)
	289,780
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers-out to other funds	(1,294)
	(1,294)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(5,600)
Construction of capital assets	(193,628)
Principal repayments on debt	(6,408)
Interest on debt	(87)
	(205,723)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	360
	360
Net increase in cash and cash equivalents	83,123
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	368,896
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 452,019
<b>Reconciliation of Operating Income to Net Cash provided by Operating Activities</b>	
Operating income	\$ 220,919
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	64,337
Changes in assets and liabilities:	
Increase in accounts payable	3,091
Increase in customer meter deposits	1,011
Decrease in accounts receivable	515
Increase in investments	(93)
	68,861
Total adjustments	68,861
Net cash provided by operating activities	\$ 289,780

The notes to the financial statements are an integral part of this statement.

# Notes to the Financial Statements

**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

The City of Murchison (City) operates as a general law city pursuant to the laws of the State of Texas under a Mayor-Council form of government. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended December 31, 2020.

**Discretely Presented Component Unit**

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City.

The financial statements of a city normally include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. Based on these criteria, the financial activities of the Murchison Economic Development Corporation (MEDCO) is included in the financial statements as a discretely presented component unit of the City.

MEDCO was established to collect sales tax pursuant to the Development Corporation Act of 1979 with the purpose to promote economic development within the City in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City. The governing body of MEDCO is selected and approved by the City Council.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. Governmental activities include programs supported primarily by taxes and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Government-Wide and Fund Financial Statements - continued**

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Interfund activities between governmental funds appear as due to/due froms on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance. All interfund transactions between governmental funds are eliminated on the government-wide statements.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. All other expenses are non-operating.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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.

**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

Governmental fund financial statements are reported using 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 increases 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 unmatured 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.

Revenues from local sources consist primarily of taxes. Tax revenue and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

The City reports the following major governmental funds:

**General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

The City reports the following major proprietary fund:

**Waterworks Fund** – This fund is utilized for the operations of the water distribution system and the wastewater system provided by the City for the community.

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

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

Cash and Cash Equivalents

The City’s cash and cash equivalents includes amounts on hand and in demand deposits.

Investments

State statutes and the City’s investment policy authorize the City to invest in obligations of the U.S. Treasury, State of Texas obligations, certificates of deposit, commercial paper, corporate bonds, repurchase agreements, and mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either “Due to/from Other Funds” (i.e., the current portion of the interfund loan) or “Advances to/from Other Funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “Due to/from Other Funds.”

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types report the face amount of the debt issued as Other Financing Sources and debt payments as Expenditures.

**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued**

Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure (roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of three (3) years. Such assets are recorded at historical cost where records are available or at an estimated fair market value at the date of acquisition where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide statements regardless of their amount.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, equipment and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Waterworks system	5 – 60
Infrastructure	15
Equipment	5
Building and improvements	10 – 30

In the case of initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities), public domain property including roads, bridges, curbs and gutters, streets and sidewalks and similar assets prior to December 31, 2003 have not been capitalized by the City. Additional capital assets, constructed or acquired each period subsequent to December 31, 2003, are capitalized and reported at historical cost.

**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Assets, Liabilities, and Net Position or Equity - continued**

Fund Balance Classification

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

*Nonspendable fund balance* – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

*Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Committed fund balance* – amounts constrained to specific purposes by the City Council, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest level action to remove or change the constraint.

*Assigned fund balance* – amounts the City Council intends to use for a specific purpose. Intent can be expressed by the Mayor or the City Secretary, through which the City Council has delegated the authority.

*Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned, the City Council designated the authority to the Mayor and the City Secretary (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.



**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Assets, Liabilities, and Net Position or Equity - continued**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has zero (0) items which arises only under a modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the items are unavailable revenue, and are reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund considers all cash on hand and demand deposits to be cash equivalents.

**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Stewardship, Compliance, and Accountability**

Budgetary Data

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general and proprietary funds. The City holds a public hearing on proposed budget prior to its adoption. All appropriations lapse at fiscal year-end.

The budget is legally enacted and once approved, can only be amended by approval of a majority of the Council members. Amendments are presented to the Council at its regular meetings.

Expenditures in Excess of Budgeted Amounts

The following is a summary of expenditures in excess of appropriations for the General Fund:

<u>Department</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance</u>
Administration	\$ 72,733	\$ 62,310	\$ (10,423)
Highways and streets	\$ 9,945	\$ 2,730	\$ (7,215)

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2: DETAILED NOTES ON ALL FUNDS**

**Deposits**

The City's balances were completely covered by federal deposit insurance or collateralized at December 31, 2020. The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

**Category 1** - Insured or collateralized with securities held by the City or by its agent in the City's name.

**Category 2** - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

**Category 3** - Uncollateralized.

Deposits categorized by level of risk for cash and cash equivalents are as follows:

<u>Primary Government</u>	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
<i>Governmental activities:</i>					
General fund	\$ 253,450	\$ 250,000	\$ 3,450	\$ -	\$ 253,450
<i>Business-type activities:</i>					
Waterworks fund	452,019	-	452,019	-	452,019
Total	705,469	250,000	455,469	-	705,469
<b>Component Unit</b>					
MEDCO	160,610	160,610	-	-	160,610
Total	<u>\$ 866,079</u>	<u>\$ 410,610</u>	<u>\$ 455,469</u>	<u>\$ -</u>	<u>\$ 866,079</u>

**Investments**

The City's certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC currently insures the first \$250,000 of the City's deposits at each financial institution. Deposit balances over \$250,000 are insured by the collateral pool. As of December 31, 2020, the carrying amount of the City's certificates of deposit was \$26,509.

**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Receivables**

Receivables as of year-end for the City’s major government funds and business-type funds, including applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Component</u>
	<u>General</u>	<u>Waterworks</u>		<u>Unit</u>
	<u>Fund</u>	<u>Fund</u>		<u>MEDCO</u>
Accounts	\$ -	\$ 52,131	\$ 52,131	\$ -
Taxes	24,452	-	24,452	7,034
Gross receivables	24,452	52,131	76,583	7,034
Less: Allowance for uncollectables	-	(27,119)	(27,119)	-
Total	<u>\$ 24,452</u>	<u>\$ 25,012</u>	<u>\$ 49,464</u>	<u>\$ 7,034</u>

**Interfund Transfers**

Transfers are indicative of funding for capital projects, debt service, and subsidies of various City operations. The composition of inter-fund transfers from/to other funds during the fiscal year, is as follows:

<u>Funds</u>	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ 1,294	\$ -
Waterworks	-	1,294
Total	<u>\$ 1,294</u>	<u>\$ 1,294</u>

**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Capital Assets**

The following is a summary of the changes in the capital assets during the fiscal year:

<u>Primary Government</u>	<u>Balance 12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2020</u>
<i>Governmental activities</i>				
<u>Non-depreciable assets:</u>				
Land	\$ 1,680	\$ -	\$ -	\$ 1,680
<u>Depreciable assets:</u>				
Buildings and improvements	18,840	-	-	18,840
Equipment	2,757	-	2,757	-
Infrastructure	303,729	9,945	-	313,674
Park improvements	20,262	-	-	20,262
Accumulated depreciation	<u>(296,295)</u>	<u>(11,645)</u>	<u>(2,757)</u>	<u>(305,183)</u>
Governmental activities, net	<u>50,973</u>	<u>(1,700)</u>	<u>-</u>	<u>49,273</u>
<i>Business-type activities</i>				
<u>Non-depreciable assets:</u>				
Land	25,340	-	-	25,340
Construction in progress	15,125	193,628	-	208,753
<u>Depreciable assets:</u>				
Waterworks system	2,043,165	-	38,072	2,005,093
Equipment	82,805	5,600	22,702	65,703
Accumulated depreciation	<u>(1,309,587)</u>	<u>(64,337)</u>	<u>(60,774)</u>	<u>(1,313,150)</u>
Business-type activities, net	<u>856,848</u>	<u>134,891</u>	<u>-</u>	<u>991,739</u>
Capital assets, net	<u>\$ 907,821</u>	<u>\$ 133,191</u>	<u>\$ -</u>	<u>\$ 1,041,012</u>

Depreciation expense for governmental activities was charged to Functions/Programs as follows:

Administration	\$ 628
Highways and streets	10,066
Parks and recreation	<u>951</u>
Total depreciation expense	<u>\$ 11,645</u>

**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage during the year ending December 31, 2020.

The City is a member of the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool, participating in workers' compensation, general liability, law enforcement liability, errors and omissions liability, automobile liability, automobile physical damage, real and personal property coverage, and employee health insurance.

**Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial. No reportable litigation was pending against the City as of December 31, 2020.

**Related Parties**

In the ordinary course of business, the City has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the City.

**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2: DETAILED NOTES ON ALL FUNDS - continued**

**Restatement of Net Position – Proprietary Fund**

The beginning net position of the Waterworks Fund has been restated on the fund basis financial statements to record prior a period adjustment to correct capital expenses recorded in prior years. A reconciliation of the prior period ending net position to the current year beginning net position for the Waterworks Fund is as follows:

Net position - beginning	\$ 1,225,670
Adjustment to correct capital expense	<u>29,119</u>
Net position - beginning, as restated	<u>\$ 1,254,789</u>

The above adjustment increased the change in net position \$29,119 for the prior year and had no impact on the current year change in net position.

**Accounting Standards**

The GASB has issued the following Statements which will become effective in future years as shown below based on the guidance of GASB Statement No. 95, [*Postponement of the Effective Dates of Certain Authoritative Guidance*]:

GASB Statement No. 84, "*Fiduciary Activities*." The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 87, "*Leases*." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*." The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management has not yet determined the impact of this Statement on the financial statements.

**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Accounting Standards – continued**

GASB Statement No. 90, *“Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.”* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 91, *“Conduit Debt Obligations.”* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 92 – *“Omnibus 2020.”* The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 93 – *“Replacement of Interbank Offered Rates.”* The primary objectives of this Statement are to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”). The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 94 – *“Public-Private and Public-Public Partnerships and Availability Payment Arrangements.”* The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (“PPPs”). The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.



**CITY OF MURCHISON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Accounting Standards – continued**

GASB Statement No. 96 – *“Subscription-Based Information Technology Arrangements.”* The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users. The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 97 – *“Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.”* The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement has various effective dates and will become fully effective for reporting periods beginning after June 15, 2021. Management has not yet determined the impact of this Statement on its financial statements.

**OMB Circular A-133 – State of Texas Single Audit Circular**

The City did not expend \$750,000 or more in federal or state awards during 2020. As a result, a Single Audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular was not required for the year ended December 31, 2020.

**Subsequent Events**

Management has evaluated subsequent events through December 14, 2021, which is the date the financial statements were made available to management.

# Required Supplementary Information

**CITY OF MURCHISON, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		(UNFAVORABLE)
<b>REVENUES</b>				
Taxes:				
Sales	\$ 108,210	\$ 108,210	\$ 139,407	\$ 31,197
Franchise	23,430	23,430	19,764	(3,666)
Licenses and permits	190	190	50	(140)
Interest income	-	-	17	17
Miscellaneous	-	-	164	164
	<u>131,830</u>	<u>131,830</u>	<u>159,402</u>	<u>27,572</u>
Total revenues				
<b>EXPENDITURES</b>				
Administration	62,310	62,310	72,733	(10,423)
Municipal court	1,100	1,100	1,100	-
Highways and streets	2,730	2,730	9,945	(7,215)
	<u>66,140</u>	<u>66,140</u>	<u>83,778</u>	<u>(17,638)</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>65,690</u>	<u>65,690</u>	<u>75,624</u>	<u>9,934</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers from other funds	-	-	1,294	1,294
Operating transfers to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,294</u>	<u>1,294</u>
Total other financing sources				
Excess (deficiency) of revenues & other sources over expenditures & other (uses)	<u>\$ 65,690</u>	<u>\$ 65,690</u>	76,918	<u>\$ 11,228</u>
Fund balance - beginning of year			<u>200,776</u>	
Fund balance - end of year			<u>\$ 277,694</u>	

# Supplementary Information

**CITY OF MURCHISON, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	BUDGET AMOUNTS		WATERWORKS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
<b>OPERATING REVENUES</b>				
Service charges	\$ 203,480	\$ 203,480	\$ 214,872	\$ 11,392
Garbage charges	61,800	61,800	82,668	20,868
Grants	15,130	15,130	186,753	171,623
Contributions and other	350	350	1,521	1,171
Total operating revenues	280,760	280,760	485,814	205,054
<b>OPERATING EXPENSES</b>				
Contract labor	94,610	94,610	116,729	(22,119)
Depreciation	-	-	64,337	(64,337)
Maintenance and repairs	77,150	77,150	34,259	42,891
Utilities	22,730	22,730	18,980	3,750
Payroll costs	9,540	9,540	11,774	(2,234)
Chemicals and supplies	14,510	14,510	9,779	4,731
Licenses and subscriptions	4,930	4,930	3,762	1,168
Professional fees and services	3,490	3,490	4,596	(1,106)
Other	100	100	679	(579)
Total operating expenses	227,060	227,060	264,895	(37,835)
Operating income	53,700	53,700	220,919	167,219
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	350	350	360	10
Interest expense	(610)	(610)	(87)	523
Total nonoperating expenses	(260)	(260)	273	533
Income before operating transfers	53,440	53,440	221,192	167,752
<b>TRANSFERS</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(1,294)	(1,294)
Total transfers	-	-	(1,294)	(1,294)
Change in net position	<u>\$ 53,440</u>	<u>\$ 53,440</u>	219,898	<u>\$ 166,458</u>
Net position - beginning, as restated			<u>1,254,789</u>	
Net position - end of year			<u>\$ 1,474,687</u>	

# Compliance and Internal Control



DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Murchison, Texas (City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated December 14, 2021.

**Internal Control Over Financial Reporting**

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

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.

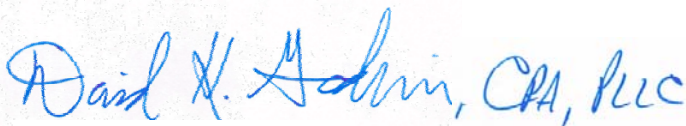
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify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

### Compliance and Other Matters

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



David K. Godwin, CPA, PLLC

Tyler, Texas

December 14, 2021

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