



**CITY OF MURCHISON, TEXAS
FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021**

**CITY OF MURCHISON, TEXAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>EXHIBIT/ SCHEDULE</u>	<u>PAGE(S)</u>
Independent Auditor’s Report		1-3
Management’s Discussion and Analysis		4-11
Basic Financial Statements:		12
Government-Wide Financial Statements:		13
Statement of Net Position	1	14
Statement of Activities	2	15
Fund Financial Statements:		16
Balance Sheet – Governmental Funds	3	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	5	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	20
Statement of Net Position – Proprietary Funds	7	21
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	8	22
Statement of Cash Flows – Proprietary Funds	9	23
Notes to the Financial Statements		24-39
Required Supplementary Information:		40
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	10	41
Supplementary Information:		42
Statement of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual – Proprietary Funds	11	43
Compliance and Internal Control:		44
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		45-46



DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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 units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2021, 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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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'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'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 4–11 and 41 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Statement of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual – Proprietary Funds financial statement is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual – Proprietary Funds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



David K. Godwin, CPA, PLLC

Tyler, Texas

August 10, 2022

Management's Discussion and Analysis



Management's Discussion and Analysis For Year Ended December 31, 2021 (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, 2021. 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

Darrell Seidel

City Councilmember

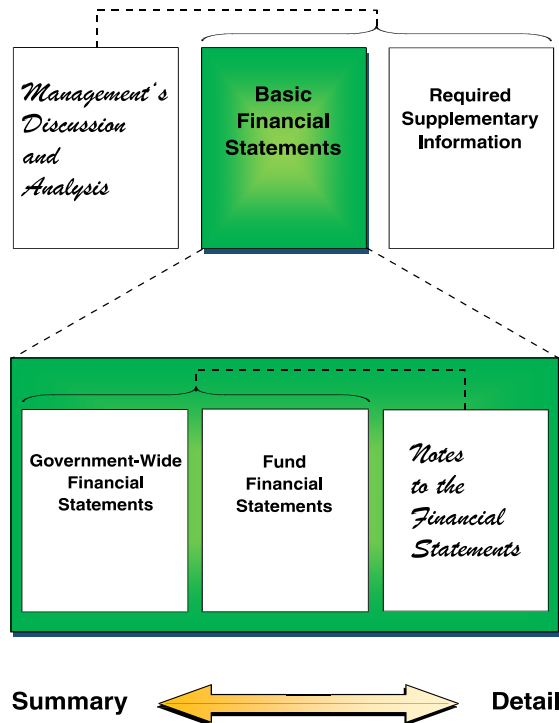
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1,922,134 (Net Position). Of this amount, \$799,325 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$120,480.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$293,757. Of this amount, \$293,757 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 \$293,757, or 214% of the total general fund expenditures.
- The City had no long-term debt at the end of 2021.
- The Murchison Economic Development Corporation's total net position increased by \$44,278.

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>	Government-Wide	Governmental Funds	Proprietary Funds
<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 \$1,922,134 as of December 31, 2021.

The largest portion of the City's net position, 58.41%, or \$1,122,809, 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	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and Other Assets	\$ 294,266	\$ 277,902	\$ 527,703	\$ 503,540	\$ 821,969	\$ 781,442
Capital Assets	54,760	49,273	1,068,049	991,739	1,122,809	1,041,012
Total Assets	349,026	327,175	1,595,752	1,495,279	1,944,778	1,822,454
Liabilities:						
Non-Current Liabilities	-	-	16,915	16,113	16,915	16,113
Other Liabilities	509	208	5,220	4,479	5,729	4,687
Total Liabilities	509	208	22,135	20,592	22,644	20,800
Net Position:						
Invested in Capital Assets, Net of Related Debt	54,760	49,273	1,068,049	991,739	1,122,809	1,041,012
Restricted	-	-	-	-	-	-
Unrestricted	293,757	277,694	505,568	482,948	799,325	760,642
Total Net Position	\$ 348,517	\$ 326,967	\$ 1,573,617	\$ 1,474,687	\$ 1,922,134	\$ 1,801,654

The balance of unrestricted net position, \$799,325, may be used to meet the government's ongoing obligations to citizens and creditors.

As of December 31, 2021, 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 \$120,480.

Governmental Activities: Net position for the governmental activities increased by \$21,550. Net position invested in capital assets, net of related debt, increased by \$5,487 due to capital asset additions exceeding depreciation expenses. The remaining change in net position is due to higher than expected franchise tax collections.

Total revenues for the governmental activities decreased from the previous year by \$5,563, primarily due to lower sales tax receipts during the year. General revenue decreased \$5,788 during 2021, primarily due to similar activity.

Business-type Activities: Net position from business-type activities increased by \$98,930. This increase was primarily due to grant receipts and typical service charges associated with the water and sewer production and processing in 2021.

The following table provides a summary of the City's operations for the year ended December 31, 2021, with comparative totals for the year ended December 31, 2020.

CITY OF MURCHISON'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Operating Revenues:						
Charges for Services	\$ 275	\$ 50	\$ 297,578	\$ 297,540	\$ 297,853	\$ 297,590
Other	-	-	143,571	186,753	143,571	186,753
General Revenues:						
Taxes	153,312	159,171	-	-	153,312	159,171
Miscellaneous	235	164	6,494	1,521	6,729	1,685
Total Revenues	153,822	159,385	447,643	485,814	601,465	645,199
Expenses:						
General Government	131,866	85,478	-	-	131,866	85,478
Water and Sewer	-	-	349,562	264,895	349,562	264,895
Total Expenses	131,866	85,478	349,562	264,895	481,428	350,373
Increase (Decrease) in Total Revenues	21,956	73,907	98,081	220,919	120,037	294,826
NONOPERATING REVENUES (EXPENSES)						
Interest Income	32	17	411	360	443	377
Interest Expense	-	-	-	(87)	-	(87)
Total Non-operating Revenue (Expense)	32	17	411	273	443	290
OTHER FINANCING SOURCES (USES)						
Operating Transfers from Other Funds	-	1,294	438	-	438	1,294
Operating Transfers to Other Funds	(438)	-	-	(1,294)	(438)	(1,294)
Total Other Financing Sources (Uses)	(438)	1,294	438	(1,294)	-	-
Change in Net Position	21,550	75,218	98,930	219,898	120,480	295,116
Net Position – Beginning	326,967	251,749	1,474,687	1,254,789	1,801,654	1,506,538
Net Position – Ending	\$ 348,517	\$ 326,967	\$ 1,573,617	\$ 1,474,687	\$ 1,922,134	\$ 1,801,654

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 \$293,757; of this total amount, \$293,757, 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 lower than the final budgeted amounts by a total of

\$20,006. Actual expenditures not including transfers were higher than final budgeted amounts by a total of \$52,243.

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, 2021, amounts to \$1,122,809 (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 \$81,797, or 7.86%.

Major capital asset additions during fiscal year 2021 included \$7,740 for street improvements and \$125,982 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	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,680	\$ 1,680	\$ 25,340	\$ 25,340	\$ 27,020	\$ 27,020
Construction in Progress	-	-	-	208,753	-	208,753
Buildings & Improvements	26,940	18,840	-	-	26,940	18,840
Equipment	-	-	65,703	65,703	65,703	65,703
Infrastructure	321,414	313,674	-	-	321,414	313,674
Park Improvements	20,262	20,262	-	-	20,262	20,262
Waterworks System	-	-	2,349,428	2,005,093	2,349,428	2,005,093
Accumulated Depreciation	<u>(315,536)</u>	<u>(305,183)</u>	<u>(1,372,422)</u>	<u>(1,313,150)</u>	<u>(1,687,958)</u>	<u>(1,618,333)</u>
Total	<u>\$ 54,760</u>	<u>\$ 49,273</u>	<u>\$ 1,068,049</u>	<u>\$ 991,739</u>	<u>\$ 1,122,809</u>	<u>\$ 1,041,012</u>

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, 2021

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	MEDCO
ASSETS				
Cash and cash equivalents	\$ 266,505	\$ 425,482	\$ 691,987	\$ 203,878
Investments	-	26,602	26,602	-
Receivables (net of allowances):				
Sales taxes	24,131	-	24,131	8,044
Franchise taxes	3,630	-	3,630	-
Other	-	23,439	23,439	-
Restricted cash and cash equivalents	-	52,180	52,180	-
Capital assets:				
Land and other non-depreciated assets	1,680	25,340	27,020	-
Other capital assets - net of depreciation	53,080	1,042,709	1,095,789	-
Total assets	349,026	1,595,752	1,944,778	211,922
LIABILITIES				
Accounts payable and accrued liabilities	509	5,220	5,729	-
Long-term liabilities:				
Due within one year	-	-	-	-
Due in more than one year	-	16,915	16,915	-
Total liabilities	509	22,135	22,644	-
NET POSITION				
Investment in capital assets, net of related debt	54,760	1,068,049	1,122,809	-
Unrestricted	293,757	505,568	799,325	211,922
Total net position	\$ 348,517	\$ 1,573,617	\$ 1,922,134	\$ 211,922

**CITY OF MURCHISON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

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	\$ 118,377	\$ 275	\$ -	\$ (118,102)	\$ -	\$ (118,102)	
Municipal court	1,200	-	-	(1,200)	-	(1,200)	
Highways and streets	8,594	-	-	(8,594)	-	(8,594)	
Parks and recreation	3,695	-	-	(3,695)	-	(3,695)	
Total governmental activities	<u>131,866</u>	<u>275</u>	<u>-</u>	<u>(131,591)</u>	<u>-</u>	<u>(131,591)</u>	
Business-type activities:							
Waterworks	349,562	297,578	143,571	-	91,587	91,587	
Total business-type activities	<u>349,562</u>	<u>297,578</u>	<u>143,571</u>	<u>-</u>	<u>91,587</u>	<u>91,587</u>	
Total primary government	<u>\$ 481,428</u>	<u>\$ 297,853</u>	<u>\$ 143,571</u>	<u>(131,591)</u>	<u>91,587</u>	<u>(40,004)</u>	
Component unit:							
Murchison Economic Development Corporation	\$ 11	\$ -	\$ -				\$ (11)
Total component unit	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(11)</u>
General revenues:							
Sales taxes				132,107	-	132,107	44,036
Franchise taxes				21,205	-	21,205	-
Investment earnings				32	411	443	253
Miscellaneous local and intermediate revenue				235	6,494	6,729	-
Transfers				(438)	438	-	-
Total general revenues and transfers				<u>153,141</u>	<u>7,343</u>	<u>160,484</u>	<u>44,289</u>
Change in net position				21,550	98,930	120,480	44,278
Net position - beginning, as restated				<u>326,967</u>	<u>1,474,687</u>	<u>1,801,654</u>	<u>167,644</u>
Net position - ending				<u>\$ 348,517</u>	<u>\$ 1,573,617</u>	<u>\$ 1,922,134</u>	<u>\$ 211,922</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, 2021**

	<u>MAJOR FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
	<u>GENERAL FUND</u>	
ASSETS		
Cash	\$ 266,505	\$ 266,505
Receivables (net of allowances):		
Sales taxes	24,131	24,131
Franchise taxes	<u>3,630</u>	<u>3,630</u>
Total assets	<u>\$ 294,266</u>	<u>\$ 294,266</u>
LIABILITIES		
Accounts payable	<u>\$ 509</u>	<u>\$ 509</u>
Total liabilities	<u>509</u>	<u>509</u>
FUND BALANCES		
Unassigned fund balance	<u>293,757</u>	<u>293,757</u>
Total fund balances	<u>293,757</u>	<u>293,757</u>
Total liabilities and fund balances	<u>\$ 294,266</u>	<u>\$ 294,266</u>

**CITY OF MURCHISON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021**

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

Total fund balances - governmental funds	\$ 293,757
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.	<u>54,760</u>
Net position of governmental activities	<u><u>\$ 348,517</u></u>

CITY OF MURCHISON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>MAJOR FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
	<u>GENERAL FUND</u>	
REVENUES		
Taxes:		
Sales	\$ 132,107	\$ 132,107
Franchise	21,205	21,205
Licenses and permits	275	275
Interest income	32	32
Miscellaneous	235	235
	<u>153,854</u>	<u>153,854</u>
Total revenues		
EXPENDITURES		
Administration	125,669	125,669
Municipal court	1,200	1,200
Highways and streets	7,740	7,740
Parks and recreation	2,744	2,744
	<u>137,353</u>	<u>137,353</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	<u>16,501</u>	<u>16,501</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers to other funds	<u>(438)</u>	<u>(438)</u>
Total other financing sources (uses)	<u>(438)</u>	<u>(438)</u>
Net change in fund balances	16,063	16,063
Fund balances - beginning of year	<u>277,694</u>	<u>277,694</u>
Fund balances - end of year	<u>\$ 293,757</u>	<u>\$ 293,757</u>

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

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, 2021

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

Net change in fund balances - total governmental funds	\$	16,063
The depreciation of capital assets used in governmental activities is not reported in the funds.		(10,353)
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>15,840</u>
Change in net position of governmental activities	<u>\$</u>	<u>21,550</u>

**CITY OF MURCHISON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021**

ASSETS	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	WATERWORKS
Current assets:	
Cash	\$ 425,482
Investments	26,602
Accounts receivable (net)	23,439
Total current assets	475,523
Restricted assets:	
Cash	52,180
Total restricted assets	52,180
Noncurrent assets:	
Capital assets:	
Water and sewer system	2,349,428
Equipment	65,703
Land	25,340
Less: accumulated depreciation	(1,372,422)
Total noncurrent assets	1,068,049
Total assets	1,595,752
LIABILITIES	
Current liabilities:	
Accounts payable	5,220
Total current liabilities	5,220
Liabilities payable from restricted assets:	
Customer deposits	16,915
Total liabilities payable from restricted assets	16,915
Total liabilities	22,135
NET POSITION	
Investment in capital assets, net of related debt	1,068,049
Unrestricted	505,568
Total net position	\$ 1,573,617

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, 2021

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	<u>WATERWORKS</u>
OPERATING REVENUES	
Service charges	\$ 212,479
Garbage charges	85,099
Grants	143,571
Contributions and other	<u>6,494</u>
Total operating revenues	<u>447,643</u>
OPERATING EXPENSES	
Contract labor	147,826
Depreciation	59,272
Maintenance and repairs	79,212
Utilities	20,624
Payroll costs	17,713
Chemicals and supplies	11,748
Licenses and subscriptions	6,429
Professional fees and services	3,025
Other	<u>3,713</u>
Total operating expenses	<u>349,562</u>
Operating income	<u>98,081</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>411</u>
Total nonoperating expenses	<u>411</u>
Income before operating transfers	<u>98,492</u>
TRANSFERS	
Transfers in	<u>438</u>
Total transfers	<u>438</u>
Change in net position	98,930
Net position - beginning	<u>1,474,687</u>
Net position - end of year	<u><u>\$ 1,573,617</u></u>

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, 2021**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	<u>WATERWORKS</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 299,860
Operating grants	143,571
Other cash receipts	6,494
Payments to suppliers	(124,010)
Payments to employees and contractors for service	<u>(165,539)</u>
Net cash provided by operating activities	<u>160,376</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers-in from other funds	<u>438</u>
Net cash used in non-capital financing activities	<u>438</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(9,600)
Construction of capital assets	<u>(125,982)</u>
Net cash used in capital and related financing activities	<u>(135,582)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>411</u>
Net cash provided by investing activities	<u>411</u>
Net increase in cash and cash equivalents	25,643
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>452,019</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 477,662</u>
Reconciliation of Operating Income to Net Cash provided by Operating Activities	
Operating income	\$ 98,081
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	59,272
Changes in assets and liabilities:	
Increase in accounts payable	741
Increase in customer meter deposits	802
Decrease in accounts receivable	1,573
Increase in investments	<u>(93)</u>
Total adjustments	<u>62,295</u>
Net cash provided by operating activities	<u>\$ 160,376</u>

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, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Murchison (City) operates as a General Law Type A 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, 2021.

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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	\$ 125,669	\$ 67,410	\$ (58,259)
Parks and recreation	\$ 2,744	\$ -	\$ (2,744)

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, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS

Deposits

The City's balances were completely covered by federal deposit insurance or collateralized at December 31, 2021. 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	\$ 266,505	\$ 250,000	\$ 16,505	\$ -	\$ 266,505
<i>Business-type activities:</i>					
Waterworks fund	477,662	-	477,662	-	477,662
Total	744,167	250,000	494,167	-	744,167
Component Unit					
MEDCO	203,878	203,878	-	-	203,878
Total	\$ 948,045	\$ 453,878	\$ 494,167	\$ -	\$ 948,045

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, 2021, the carrying amount of the City's certificates of deposit was \$26,602.

CITY OF MURCHISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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	\$ -	\$ 51,948	\$ 51,948	\$ -
Taxes	27,761	-	27,761	8,044
Gross receivables	27,761	51,948	79,709	8,044
Less: Allowance for uncollectables	-	(28,509)	(28,509)	-
Total	<u>\$ 27,761</u>	<u>\$ 23,439</u>	<u>\$ 51,200</u>	<u>\$ 8,044</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	\$ -	\$ 438
Waterworks	438	-
Total	<u>\$ 438</u>	<u>\$ 438</u>

CITY OF MURCHISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 12/31/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2021</u>
<i>Governmental activities</i>				
<u>Non-depreciable assets:</u>				
Land	\$ 1,680	\$ -	\$ -	\$ 1,680
<u>Depreciable assets:</u>				
Buildings and improvements	18,840	8,100	-	26,940
Equipment	-	-	-	-
Infrastructure	313,674	7,740	-	321,414
Park improvements	20,262	-	-	20,262
Accumulated depreciation	(305,183)	(10,353)	-	(315,536)
Governmental activities, net	<u>49,273</u>	<u>5,487</u>	<u>-</u>	<u>54,760</u>
<i>Business-type activities</i>				
<u>Non-depreciable assets:</u>				
Land	25,340	-	-	25,340
Construction in progress	208,753	125,982	334,735	-
<u>Depreciable assets:</u>				
Waterworks system	2,005,093	344,335	-	2,349,428
Equipment	65,703	-	-	65,703
Accumulated depreciation	(1,313,150)	(59,272)	-	(1,372,422)
Business-type activities, net	<u>991,739</u>	<u>411,045</u>	<u>334,735</u>	<u>1,737,519</u>
Capital assets, net	<u>\$ 1,041,012</u>	<u>\$ 416,532</u>	<u>\$ 334,735</u>	<u>\$ 1,792,279</u>

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

Administration	\$ 808
Highways and streets	8,594
Parks and recreation	<u>951</u>
Total depreciation expense	<u>\$ 10,353</u>

CITY OF MURCHISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021.

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, 2021.

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, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Accounting Standards

The GASB has issued the following Statement(s) which were implemented during the current fiscal year as shown below:

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. All applicable provisions have been included in the City's financial statements as of December 31, 2021.

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. All applicable provisions have been included in the City's financial statements as of December 31, 2021.

GASB Statement No. 98 – *"The Annual Comprehensive Financial Report."* This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. All applicable provisions have been included in the City's financial statements as of December 31, 2021.

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. 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.

CITY OF MURCHISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Accounting Standards – continued

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.

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.

CITY OF MURCHISON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Accounting Standards – continued

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 2021. 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, 2021.

Subsequent Events

Management has evaluated subsequent events through August 10, 2022, 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, 2021**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes:				
Sales	\$ 165,000	\$ 165,000	\$ 132,107	\$ (32,893)
Franchise	8,270	8,270	21,205	12,935
Licenses and permits	190	190	275	85
Interest income	350	350	32	(318)
Miscellaneous	50	50	235	185
	<u>173,860</u>	<u>173,860</u>	<u>153,854</u>	<u>(20,006)</u>
Total revenues				
EXPENDITURES				
Administration	67,410	67,410	125,669	(58,259)
Municipal court	1,200	1,200	1,200	-
Highways and streets	16,500	16,500	7,740	8,760
Parks and recreation	-	-	2,744	(2,744)
	<u>85,110</u>	<u>85,110</u>	<u>137,353</u>	<u>(52,243)</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>88,750</u>	<u>88,750</u>	<u>16,501</u>	<u>(72,249)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	-	-	-	-
Operating transfers to other funds	-	-	(438)	(438)
	<u>-</u>	<u>-</u>	<u>(438)</u>	<u>(438)</u>
Total other financing sources				
Excess (deficiency) of revenues & other sources over expenditures & other (uses)	<u>\$ 88,750</u>	<u>\$ 88,750</u>	16,063	<u>\$ (72,687)</u>
Fund balance - beginning of year			<u>277,694</u>	
Fund balance - end of year			<u>\$ 293,757</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, 2021

	BUDGET AMOUNTS		WATERWORKS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
OPERATING REVENUES				
Service charges	\$ 219,480	\$ 219,480	\$ 212,479	\$ (7,001)
Garbage charges	85,944	85,944	85,099	(845)
Grants	-	-	143,571	143,571
Contributions and other	360	360	6,494	6,134
Total operating revenues	305,784	305,784	447,643	141,859
OPERATING EXPENSES				
Contract labor	148,330	148,330	147,826	504
Depreciation	-	-	59,272	(59,272)
Maintenance and repairs	48,650	48,650	79,212	(30,562)
Utilities	22,730	22,730	20,624	2,106
Payroll costs	11,880	11,880	17,713	(5,833)
Chemicals and supplies	14,510	14,510	11,748	2,762
Licenses and subscriptions	4,930	4,930	6,429	(1,499)
Professional fees and services	1,000	1,000	3,025	(2,025)
Other	100	100	3,713	(3,613)
Total operating expenses	252,130	252,130	349,562	(97,432)
Operating income	53,654	53,654	98,081	44,427
NONOPERATING REVENUES (EXPENSES)				
Interest income	350	350	411	61
Total nonoperating expenses	350	350	411	61
Income before operating transfers	54,004	54,004	98,492	44,488
TRANSFERS				
Transfers in	-	-	438	438
Transfers out	-	-	-	-
Total transfers	-	-	438	438
Change in net position	\$ 54,004	\$ 54,004	98,930	\$ 44,926
Net position - beginning, as restated			1,474,687	
Net position - end of year			\$ 1,573,617	

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

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 unit, each major fund, and the aggregate remaining fund information of City of Murchison, Texas (City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated August 10, 2022.

Report on Internal Control over Financial Reporting

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

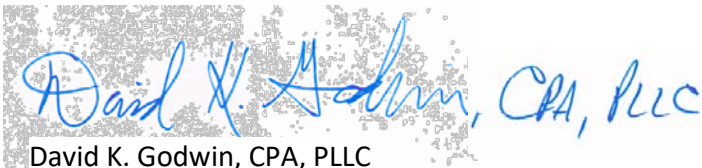
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
August 10, 2022
