

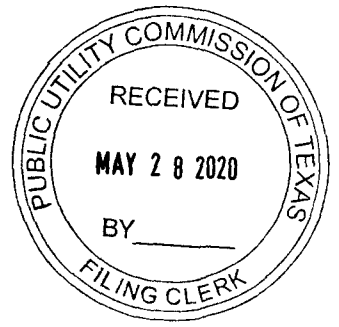


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**CITY OF RICHLAND**

***ANNUAL FINANCIAL REPORT***

***FOR THE YEAR ENDED DECEMBER 31, 2018***

City of Richland  
Annual Financial Report  
For The Year Ended December 31, 2018

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## *Financial Section*

**ANDERSON, MARX & BOHL, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA  
FRANK MARX, III, CPA  
DORI BOHL, CPA & CFE

**Independent Auditors' Report**

To the City Council  
City of Richland  
P. O. Box 179  
Richland, Texas 76681

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richland ("the City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Richland as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Richland's basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

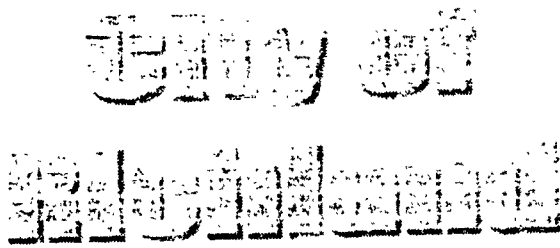
In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2019 on our consideration of City of Richland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 of Richland's internal control over financial reporting and compliance.

Respectfully submitted,

*Anderson, Marx & Bohl, P.C.*

Anderson, Marx & Bohl, P.C.

Corsicana, Texas  
July 22, 2019



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Richland's annual financial report presents our discussion and analysis of the City's financial performance during the year ended December 31, 2018. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total combined net position on financial statement exhibit A-1 was \$1,150,418 at December 31, 2018.
- During the year, the City's primary government expenses on financial statement exhibit A-2 were \$8,521 less than the \$335,164 generated in taxes and other revenues for all activities.
- The total cost of the City's expenditures on financial statement exhibit A-5 increased \$34,196 from last year. This was due primarily to an increase in public safety, professional fees, and repairs.
- The general fund reported a general fund balance this year on financial statement exhibit A-3 of \$95,273. The City began the current year with a fund balance in the amount of \$83,398.

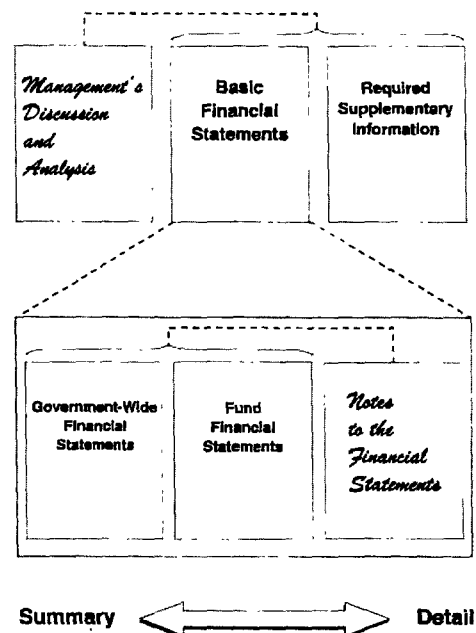
### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required 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 provide information about for-profit activities.

The financial statements also include notes that explain some of the information in 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 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the City's Annual Financial Report





## 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 deferred outflows 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, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities and business-type activities*. Most of the City's basic services are included here, such as public safety, library activities, park services, street maintenance and rehabilitation and general administration. Taxes finance most of these activities. The City also provides water and sewer services to its residents.

## 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 that the City uses to keep track of specific sources of funding and spending for particular purposes.

- 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 the following kinds 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 that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. 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 funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—The City provides water and sewer services to its citizens and charges fees to pay for this service. These activities are accounted for on the accrual basis of accounting.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$1.150 million at December 31, 2018. (See Table A-1).

**Table A-1**  
**City of Richland's Net Position**  
*(In million dollars)*

	<u>2018</u>	<u>2017</u>	<u>Total Percentage Change 2018-2017</u>
Current assets:			
Cash and cash equivalents	.4	.4	0
Investments	.0	.0	**
Due from other governments	.0	.0	**
Due from other funds	.0	.0	**
Other	.0	.0	**
Unamortized debt issuance costs	.0	.0	**
Total current assets:	<u>.4</u>	<u>.4</u>	0
Noncurrent assets:			
Land, furniture and equipment	1.6	1.6	0
Less accumulated depreciation	(.9)	(.9)	0
Other assets	.0	.0	**
Total noncurrent assets	<u>.7</u>	<u>.7</u>	0
Total Assets	<u>1.1</u>	<u>1.1</u>	0
Current liabilities:			
Accounts payable and accrued liabilities	.0	.0	**
Consumer deposits	.0	.0	**
Due to other funds	.0	.0	**
Deferred revenue	.0	.0	**
Total current liabilities	<u>.0</u>	<u>.0</u>	**
Long-term liabilities:			
Noncurrent liabilities due in one year	.0	.0	**
Noncurrent liabilities due more than 1 yr	.0	.0	**
Total Liabilities	<u>.0</u>	<u>.0</u>	**
Net Position:			
Net Invested in capital assets	.7	.7	0
Restricted	.1	.1	0
Unrestricted	.3	.3	0
Total Net Position	<u>1.1</u>	<u>1.1</u>	0

The City has \$116,119 in restricted net position that represents proceeds from construction. The \$327,098 of unrestricted net position represents resources to be available to fund the programs of the City next year.

**Changes in net position.** The City's total revenues were \$335,164. A significant portion, 15 percent, of the City's revenue comes from taxes, while 74 percent relates to charges for services.

The total cost of all programs and services was \$326,643; 35 percent of these costs are for governmental activities.

#### **Governmental Activities**

- Property tax revenues increased to \$21,703.

**Table A-2**  
Changes in City of Richland's Net Position  
(In million dollars)

	<u>2018</u>	<u>2017</u>	<u>% Ch</u>
Program Revenues:			
Charges for Services	.2	.2	0
Operating Grants and Contributions	.0	.0	**
Capital Grants and Contributions	.0	.0	**
General Revenues			
Taxes	.0	.0	**
Investment Earnings	.0	.0	**
Other	.1	.1	0
Total Revenues	.3	.3	0
General Government	.0	.0	**
Public Safety	.1	.0	**
Highways and Streets	.0	.0	**
Culture and Recreation	.0	.0	**
Public Services	.0	.0	**
Economic Development Assistance	.0	.0	**
Water & Sewer	.2	.3	-33
Total Expenses	.3	.3	0
Excess (Deficiency) Before Other Resources, Uses and Transfers:			
Unauthorized expenditures	.0	.0	**
Transfers In (Out)	.0	.0	**
Increase (Decrease) in Net Position	.0	.0	**

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$.116 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$.022 million.
- Some of the cost was paid by those who directly benefited from the programs \$.51 million.

**Table A-3**  
Net Cost of Selected City Functions  
(in millions of dollars)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
General Government	.0	.0	**	.0	.0	**
Public Safety	.1	.0	**	.0	.0	**
Highways and Streets	.0	.0	**	.0	.0	**

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$.118 million, while the previous year it was \$.050 million. The increase was due to fines and grants. Revenues from business-type activities totaled \$196,801, while the previous year it was \$246,506.

### General Fund Budgetary Highlights

Over the course of the year, the City revised its budget. Actual expenditures were \$5,614 above final budget amounts.

On the other hand, resources available were \$10,082 below the final budgeted amount.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2018, the City had invested \$1,667,245 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents an increase (including additions and deductions) of \$19,750 over last year.

**Table A-4**  
City's Capital Assets  
(In millions of dollars)

	<u>2018</u>	<u>2017</u>	<u>Total Percentage Change 2018-2017</u>
Land	.0	.0	**
Buildings and improvements	.2	.2	0
Water and sewer system	1.3	1.3	0
Equipment	.1	.1	0
Leased assets	.0	.0	**
Totals at historical cost	<u>1.6</u>	<u>1.6</u>	0
Total accumulated depreciation	<u>(.9)</u>	<u>(.9)</u>	0
Net capital assets	<u>.7</u>	<u>.7</u>	0

The City's 2019 capital budget projects spending do not reflect any major projects. More detailed information about the City's capital assets is presented in the notes to the financial statements.

### Long Term Debt

At year-end, the City had no debt in bonds and notes outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

**Table A-5**  
**City's Long-Term Debt**  
(In millions of dollars)

	<u>2018</u>	<u>2017</u>	Total Percentage Change <u>2018-2017</u>
Leases payable	.0	.0	0
Bonds payable	.0	.0	0
Notes payable	.0	.0	0
Less deferred amount			
On refundings	<u>(0)</u>	<u>(0)</u>	0
Total bonds & notes payable	<u>.0</u>	<u>.0</u>	0

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

The City's budgetary general fund net position balance is not expected to change appreciably by the close of 2019.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Richland's Business Services Department at P. O. Box 179, Richland, Texas 76681 or phone number 903-362-3707.

**CITY OF RICHLAND**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS.</b>			
<i>Cash and Cash Equivalents</i>	\$ 85,024	\$ 209,412	\$ 294,436
<i>Receivables ( net of allowances for uncollectibles)</i>	14,615	--	14,615
<i>Other Receivables</i>	--	30,583	30,583
<i>Internal Balances</i>	16,750	(16,750)	--
Restricted Assets:			
<i>Cash and Cash Equivalents</i>	--	116,119	116,119
Capital Assets ( net of accumulated depreciation):			
<i>Land</i>	1,900	15,650	17,550
<i>Buildings and System</i>	137,674	--	137,674
<i>Improvements other than Buildings</i>	--	488,904	488,904
<i>Machinery and Equipment</i>	36,651	5,873	42,524
<i>Construction in Progress</i>	--	19,750	19,750
<b>Total Assets</b>	<b>292,614</b>	<b>869,541</b>	<b>1,162,155</b>
<b>LIABILITIES:</b>			
<i>Accounts Payable and Other Current Liabilities</i>	6,501	5,236	11,737
<b>Total Liabilities</b>	<b>6,501</b>	<b>5,236</b>	<b>11,737</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	176,225	530,976	707,201
Restricted For:			
Construction	--	116,119	116,119
Unrestricted	109,888	217,210	327,098
<b>Total Net Position</b>	<b>\$ 286,113</b>	<b>\$ 864,305</b>	<b>\$ 1,150,418</b>

The accompanying notes are an integral part of this statement.

**CITY OF RICHLAND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues
<b>PRIMARY GOVERNMENT:</b>		
Governmental Activities:		
<i>General Government</i>	\$ 38,555	\$ --
<i>Public Safety</i>	77,000	50,516
Total Governmental Activities	115,555	50,516
Business-type Activities:		
Water and Sewer	211,088	196,801
Total Business-type Activities	211,088	196,801
Total Primary Government	\$ 326,643	\$ 247,317
General Revenues:		
<i>Property Taxes</i>		
<i>Sales Taxes</i>		
<i>Franchise Taxes</i>		
<i>Grants</i>		
<i>Unrestricted Investment Earnings</i>		
<i>Other</i>		
<i>Transfers</i>		
Total General Revenues and Transfers		
Change in Net Position		
Net Position - Beginning		
Net Position - Ending		

The accompanying notes are an integral part of this statement.

## *Basic Financial Statements*



## Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (38,555)		\$ (38,555)
(26,484)		(26,484)
(65,039)		(65,039)
--	\$ (14,287)	(14,287)
--	(14,287)	(14,287)
(65,039)	(14,287)	(79,326)
21,703	--	21,703
19,032	--	19,032
9,217	--	9,217
16,281	19,750	36,031
253	--	253
1,611	--	1,611
--	--	--
68,097	19,750	87,847
3,058	5,463	8,521
283,055	858,842	1,141,897
\$ 286,113	\$ 864,305	\$ 1,150,418

**CITY OF RICHLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

	General Fund
<b>ASSETS</b>	
<b>Assets:</b>	
<i>Cash and Cash Equivalents</i>	\$ 85,024
<i>Receivables ( net of allowances for uncollectibles)</i>	14,615
<i>Due from Other Funds</i>	16,750
<b>Total Assets</b>	<b>\$ 116,389</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
<b>Liabilities:</b>	
<i>Accounts Payable</i>	\$ 6,501
<b>Total Liabilities</b>	<b>6,501</b>
<b>Deferred Inflows of Resources:</b>	
<i>Unavailable Revenue-Property Taxes</i>	14,615
<b>Total Deferred Inflows of Resources</b>	<b>14,615</b>
<b>Fund Balances:</b>	
<i>Unassigned</i>	95,273
<b>Total Fund Balance</b>	<b>95,273</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 116,389</b>

The accompanying notes are an integral part of this statement.

**CITY OF RICHLAND**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

Total fund balances - governmental funds balance sheet	\$	95,273
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not reported in the funds.		176,225
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		14,615
Net position of governmental activities - Statement of Net Position	\$	286,113

The accompanying notes are an integral part of this statement.

**CITY OF RICHLAND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund
Revenue:	
Taxes:	
<i>General Property Taxes</i>	\$ 21,044
<i>General Sales and Use Taxes</i>	19,032
<i>Other Taxes - Franchise Taxes</i>	9,217
<i>Other Revenues</i>	1,611
<i>Fines</i>	50,516
<i>Investment Earnings</i>	253
<i>Grants</i>	16,281
Total revenues	117,954
Expenditures:	
Current:	
<i>Contract Labor</i>	5,462
<i>Dues &amp; Subscriptions</i>	762
<i>Public Safety</i>	70,686
<i>Professional fees</i>	5,198
<i>Repairs</i>	4,857
<i>Utilities</i>	7,685
<i>Miscellaneous</i>	11,429
Total Expenditures	106,079
Excess (Deficiency) of Revenues	
Over (Under) Expenditures	11,875
Other Financing Sources (Uses):	
Total Other Financing Sources (Uses)	--
Net Change in Fund Balances	11,875
Fund Balances - Beginning	83,398
Fund Balances - Ending	\$ 95,273

The accompanying notes are an integral part of this statement.

**CITY OF RICHLAND**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018*

Net change in fund balances - total governmental funds	\$	11,875
Amounts reported for governmental activities in the Statement of Activities are different because:		
The depreciation of capital assets used in governmental activities is not reported in the funds.		(9,476)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		659
Change in net position of governmental activities - Statement of Activities	\$	3,058

The accompanying notes are an integral part of this statement.

**CITY OF RICHLAND**
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2018**

	Enterprise Fund Water and Sewer Fund
<b>ASSETS:</b>	
Current Assets:	
<i>Cash and Cash Equivalents</i>	\$ 209,412
<i>Receivables ( net of allowances for uncollectibles)</i>	30,583
Total Current Assets	239,995
Noncurrent Assets:	
Restricted Cash, Cash Equivalents and Investments-	
<i>Cash</i>	116,119
Capital Assets:	
<i>Land</i>	15,650
<i>Improvements Other Than Buildings</i>	1,317,512
<i>Machinery and Equipment</i>	16,800
<i>Construction in Progress</i>	19,750
Less Accumulated Depreciation	(839,535)
Total Noncurrent Assets	646,296
Total Assets	886,291
<b>LIABILITIES:</b>	
Current Liabilities:	
<i>Accounts payable</i>	5,236
<i>Due to other funds</i>	16,750
Total Current Liabilities	21,986
Total Liabilities	21,986
<b>NET POSITION:</b>	
<i>Net Investment in Capital Assets</i>	530,976
Restricted For:	
Construction	116,119
Unrestricted Net Position	217,210
	\$ 864,305

The accompanying notes are an integral part of this statement.

**CITY OF RICHLAND**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Enterprise Fund Water and Sewer Fund
OPERATING REVENUES:	
Charges for Sales and Services:	
<i>Charge for Services</i>	\$ 196,801
Total Operating Revenues	196,801
OPERATING EXPENSES:	
<i>Service Contracts</i>	54,956
<i>Water</i>	75,749
<i>Electricity</i>	2,096
<i>Contract labor-Office personnel salaries</i>	35,073
<i>Depreciation</i>	43,214
Total Operating Expenses	211,088
Operating Income	(14,287)
NON-OPERATING REVENUES (EXPENSES):	
<i>Grants</i>	19,750
Total Non-operating Revenues (Expenses)	19,750
Income before Transfers	5,463
<i>Interfund Operating Transfers In</i>	--
<i>Interfund Operating Transfers Out</i>	--
Change in Net Position	5,463
Total Net Position - Beginning	858,842
Total Net Position - Ending	\$ 864,305

The accompanying notes are an integral part of this statement.

**CITY OF RICHLAND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Enterprise Fund Water And Sewer Fund
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Received from Customers</i>	\$ 204,591
<i>Cash Payments to Employees for Services</i>	(35,073)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(135,467)
Net Cash Provided (Used) by Operating Activities	34,051
<b>Cash Flows from Non-capital Financing Activities:</b>	
<i>Operating Grants Received</i>	19,750
Net Cash Provided (Used) by Non-capital Financing Activities	19,750
<b>Cash Flows from Capital and Related Financing Activities:</b>	
<i>Purchase of Fixed Assets</i>	(19,750)
<i>Increase in Restricted Cash</i>	(18,613)
Net Cash Provided (Used) for Capital & Related Financing Activities	(38,363)
<b>Cash Flows from Investing Activities:</b>	
<i>Interest and Dividends on Investments</i>	--
Net Cash Provided (Used) for Investing Activities	--
Net Increase (Decrease) in Cash and Cash Equivalents	15,438
Cash and Cash Equivalents at Beginning of Year	193,974
Cash and Cash Equivalents at End of Year	\$ 209,412
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (14,287)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	43,214
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	7,790
<i>Increase (Decrease) in Accounts Payable</i>	(2,666)
Total Adjustments	48,338
Net Cash Provided (Used) by Operating Activities	\$ 34,051

The accompanying notes are an integral part of this statement.



**CITY OF RICHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**A. Summary of Significant Accounting Policies**

The combined financial statements of City of Richland (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. Reporting Entity**

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City  
and there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Statements:** The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The City reports the following major governmental funds:

**CITY OF RICHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

The City reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

**CITY OF RICHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings	50
Improvements	30
Office Equipment	7
Computer Equipment	10

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. An allowance for delinquent taxes of \$3,118 is included in the total.

The Water & Sewer Fund allowance for uncollectible accounts is based on historical collections and periodically evaluated by management. Accounts are written off as they become delinquent and are deemed uncollectible. The allowance for delinquent utility receivables as December 31, 2018 is \$0.

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

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

**CITY OF RICHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

g. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary statements of net position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**CITY OF RICHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

j. **Compensated Absences**

On retirement or death of certain employees, the City pays any accrued vacation leave in a lump sum payment to such employee or his/her estate. These items will be recorded as expenses when the funds are expended.

4. **Budgetary Data**

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

B. **Compliance and Accountability**

1. **Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. **Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. **Deposits and Investments**

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

**CITY OF RICHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Cash Deposits:

At December 31, 2018, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$410,555 and the bank balance was \$413,737. The City's cash deposits at December 31, 2018 and during the year ended December 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at December 31, 2018 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit included in cash	N/A	\$ 272,074
Total Investments		\$ 272,074

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

At December 31, 2018, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, have no credit risk.

b. Custodial Credit Risk

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

**CITY OF RICHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

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

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**D Capital Assets**

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,900	\$ --	\$ --	\$ 1,900
Total capital assets not being depreciated	1,900	--	--	1,900
<i>Capital assets being depreciated:</i>				
Buildings	228,204	--	--	228,204
Machinery & Equipment	67,429	--	--	67,429
Total capital assets being depreciated	295,633	--	--	295,633
Less accumulated depreciation for:				
Buildings	(85,966)	(4,564)	--	(90,530)
Machinery & Equipment	(25,866)	(4,912)	--	(30,778)
Total accumulated depreciation	(111,832)	(9,476)	--	(121,308)
Total capital assets being depreciated, net	183,801	(9,476)	--	174,325
Governmental activities capital assets, net	\$ 185,701	\$ (9,476)	\$ --	\$ 176,225

**CITY OF RICHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,650	\$ --	\$ --	\$ 15,650
Interim Construction	--	19,750	--	19,750
Total capital assets not being depreciated	15,650	19,750	--	35,400
<i>Capital assets being depreciated:</i>				
Water System	1,317,512	--	--	1,317,512
Equipment	16,800	--	--	16,800
Total capital assets being depreciated	1,334,312	--	--	1,334,312
Less accumulated depreciation for:				
Water System	(785,927)	(42,681)	--	(828,608)
Equipment	(10,394)	(533)	--	(10,927)
Total accumulated depreciation	(796,321)	(43,214)	--	(839,535)
Total capital assets being depreciated, net	537,991	(43,214)	--	494,777
Business-type activities capital assets, net	\$ 553,641	\$ (23,464)	\$ --	\$ 530,177
Depreciation was charged to functions as follows:				
General Government	\$ 3,162			
Public Safety	6,314			
	\$ 9,476			

**E. Interfund Balances and Activity**

**1. Due To and From Other Funds**

Balances due to and due from other funds at December 31, 2018, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Water & Sewer Fund	\$ 16,750	Short-term loans
	Total	\$ 16,750	

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

There were no transfers to and from other funds at December 31, 2018.

**F. Risk Management**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 2018, the City purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year and there were no settlements exceeding insurance coverage for any of the past three years.



**CITY OF RICHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

G. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the City at December 31, 2018.

3. Construction Commitment

The City is in the beginning stage of a water project in the amount of \$288,250 with all amounts being funded by a grant except for \$15,000 to be contributed by the City. As of the end of the year, \$19,750 has been funded by the grant.

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CITY OF RICHLAND**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**EXHIBIT B-1**

	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts Original	Final	Actual	
Revenue:				
Taxes:				
<i>General Property Taxes</i>	\$ 20,928	\$ 20,928	\$ 21,044	\$ 116
<i>General Sales and Use Taxes</i>	16,489	16,489	19,032	2,543
<i>Other Taxes - Franchise Taxes</i>	9,182	9,182	9,217	35
<i>Other Revenues</i>	--	--	1,611	1,611
<i>Fines</i>	65,000	65,000	50,516	(14,484)
<i>Investment Earnings</i>	156	156	253	97
<i>Grants</i>	16,281	16,281	16,281	--
Total revenues	128,036	128,036	117,954	(10,082)
Expenditures:				
Current:				
<i>Contract Labor</i>	5,892	5,892	5,462	430
<i>Dues &amp; Subscriptions</i>	598	798	762	36
<i>Public Safety</i>	51,439	63,939	70,686	(6,747)
<i>Professional fees</i>	5,353	5,353	5,198	155
<i>Repairs</i>	10,913	5,321	4,857	464
<i>Utilities</i>	6,408	7,700	7,685	15
<i>Miscellaneous</i>	19,862	11,462	11,429	33
Total Expenditures	100,465	100,465	106,079	(5,614)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	27,571	27,571	11,875	(15,696)
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	--	--	--	--
Net Change in Fund Balances	27,571	27,571	11,875	(15,696)
Fund Balances - Beginning	83,398	83,398	83,398	--
Fund Balances - Ending	\$ 110,969	\$ 110,969	\$ 95,273	\$ (15,696)

### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

# **ANDERSON, MARX & BOHL, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA  
FRANK MARX, III, CPA  
DORI BOHL, CPA & CFE

Independent Auditors' Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards

City Council  
City of Richland  
P. O. Box 179  
Richland, Texas 76681

Members of the City Council:

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, each major fund, and the aggregate remaining fund information of City of Richland, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City of Richland's basic financial statements and have issued our report thereon dated July 22, 2019.

## **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-1 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Richland'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

Respectfully submitted,

*Anderson, Marx & Bohl, P.C.*

Anderson, Marx & Bohl, P.C.

Corsicana, Texas

July 22, 2019

**CITY OF RICHLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**A. Summary of Auditors' Results**

**1. Financial Statements**

Type of auditors' report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
One or more material weaknesses identified?	<u>  X  </u> Yes	<u>    </u> No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u>    </u> Yes	<u>  X  </u> None Reported	
Noncompliance material to financial statements noted?	<u>    </u> Yes	<u>  X  </u> No	

**B. Financial Statement Findings**

2018-1

Condition: The City exceeded its budget in Public Safety. This was caused by the City's failure to properly apply budgetary controls over expenditures.

Criteria: The City is required to spend within its approved budget.

Effect: The City spent funds in excess of its approved budget.

Cause: The City failed to properly apply budgetary controls and amend the budget as necessary.

Recommendation: The City should properly utilize budgetary controls and amend its budget as necessary.

City's Response: The District will monitor its appropriations and expenditures to ensure the budgetary controls are working. The City will amend its budget as needed.

**CITY OF RICHLAND**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
None noted so none required		



**CITY OF RICHLAND**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED DECEMBER 31, 2018*

The City will amend its budget as required. This will be completed by December 31, 2019. Sharon Settlemyer at phone number 254-362-3707 will be responsible.

City of Richland  
PO Box 179  
Richland, TX 76681

## 2020 Budget

	2018 Actual	2019 Estimated	2020 Proposed
Balance Forward			
General Fund	\$19,848.79	\$86,000.00	\$86,000.00
Tax Fund	\$33,494.50	\$38,494.50	\$38,494.50
Certificates of Deposit			
General Fund	\$20,371.60	\$20,544.22	\$20,544.22
Tax Fund	\$10,957.30	\$11,012.00	\$11,012.00
Income			
Civic Center Rental	\$900.00	\$400.00	\$800.00
Franchise Fees			
Atmos Energy	\$1,181.77	\$1,299.34	\$1,100.00
Oncor	\$7,714.24	\$8,933.76	\$7,800.00
Telephone	\$320.53	\$352.16	\$300.00
Interest	\$253.00	\$201.17	\$200.00
Miscellaneous	\$16,900.00	\$458.00	\$500.00
Mowing Fund	\$1,677.75	\$2,264.25	\$2,000.00
Municipal Court	\$50,516.00	\$180,000.00	\$210,000.00
City of Angus			\$24,000.00
Street Lights	\$193.20	\$658.50	\$600.00
Taxes			
Real Estate Tax	\$21,044.00	\$20,235.21	\$22,094.00
Sales Tax	\$19,032.00	\$11,232.11	\$16,500.00
Total Income	\$204,404.68	\$382,085.22	\$441,944.72
EXPENSES			
Advertising	\$724.22	\$54.76	\$400.00
Auditor	\$0.00	\$5,550.00	\$5,825.00
Books & Publications	\$107.74	\$45.00	\$1,000.00
Cleaning of Building	\$500.00	\$500.00	\$500.00
Contract Labor			
Clean Town	\$4,246.35	\$1,060.00	\$1,800.00
Mowing Lots & Park	\$2,590.00	\$2,770.00	\$3,700.00
Street Signs	\$0.00	\$575.00	\$750.00
Trash Pickup	\$215.00	\$215.00	\$215.00
Dues & Subscriptions	\$762.00	\$597.32	\$600.00
Election	\$0.00	\$0.00	\$1,200.00
Exterminator	\$120.00	\$120.00	\$120.00
Fuel	\$1,020.00	\$1,020.00	\$1,000.00
Insurance	\$3,118.36	\$7,061.88	\$7,200.00
Insurance Fire Dept.	\$225.00	\$225.00	\$225.00
Miscellaneous	\$11,429.00	\$1,399.88	\$3,500.00
Municipal Court - Judge	\$4,500.00	\$5,400.00	\$6,000.00
Attorney	\$450.00	\$2,000.00	\$4,800.00

Clerk 1	\$2,372.50	\$7,656.00	\$8,600.00
Clerk 2	\$0.00	\$8,400.00	\$16,800.00
Office Supplies	\$0.00	\$7,232.95	\$8,000.00
Postage	\$1,609.87	\$2,000.00	\$2,000.00
State Fees	\$12,849.36	\$74,901.00	\$75,000.00
Training	\$109.02	\$500.00	\$800.00
Office Supplies	\$1,177.55	\$1,711.76	\$1,500.00
Park	\$398.75	\$188.00	\$2,500.00
Police Department			
Start up	\$22,993.59	\$65,205.68	\$0.00
Equipment			\$3,500.00
Fuel	\$1,381.87	\$8,100.00	\$8,100.00
Payroll - Chief	\$15,291.67	\$36,000.00	\$39,000.00
Payroll - Officer 1		\$28,224.00	\$25,224.00
Payroll - Officer 2		\$25,200.00	\$25,200.00
Payroll - Officer 3		\$0.00	\$28,224.00
Training		\$671.22	\$800.00
Vehicle Repairs	\$106.85	\$4,500.00	\$4,000.00
Postage	\$1,609.87	\$1,106.00	\$1,500.00
Professional Fees			
Filing Fees	\$56.00	\$208.00	\$260.00
Appraisal District	\$316.60	\$361.59	\$425.00
Repairs			
Air Conditioner	\$249.10	\$200.00	\$400.00
Building	\$506.85	\$3,605.86	\$600.00
Computer	\$216.49	\$450.00	\$500.00
Equipment	\$0.00	\$0.00	\$200.00
Siren	\$0.00	\$0.00	\$500.00
Streets	\$0.00	\$948.15	\$20,000.00
Tractor/Mower	\$3,498.80	\$1,200.00	\$2,000.00
Training Classes	\$109.02	\$550.00	\$600.00
Travel			
Gas	\$553.62	\$700.00	\$700.00
Other	\$120.94	\$250.00	\$350.00
Utilities			
Electric - Civic Center	\$2,694.21	\$2,760.00	\$3,300.00
Street Lights	\$3,643.70	\$3,720.00	\$4,700.00
Gas	\$1,065.15	\$960.00	\$1,200.00
Park	\$67.38	\$240.00	\$240.00
Police	\$115.04	\$120.00	\$240.00
Total Expenses	\$102,282.21	\$316,409.29	\$325,398.00
Net Income	\$102,122.47	\$65,675.93	\$116,546.72