

**TOWN OF RANCHO VIEJO, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2021**

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ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**TOWN OFFICIALS**

Mayor	Maribel B. Guerrero
Mayor Pro Tem	Javier Vera
Alderwoman	Laura G. Kaechele
Alderman	David L. Tumlinson, IV
Alderman	Marcos Ricoy
Alderman	Alfred Hernandez
Attorney	Daniel Rentfro, Jr.
Municipal Judge	Javier Gonzalez
Cameron County Tax Assessor - Collector	Tony Yzaguirre, Jr.
Town Administrator	Alfredo Blanco

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## **FINANCIAL SECTION**



# Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members  
Of the Board of Aldermen  
Town of Rancho Viejo, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rancho Viejo, Texas (the "Town") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

#### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension, and other post-employment benefits (OPEB) information 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 Town's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2022, on our consideration of the Town'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 Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Casco & Associates, PC  
Brownsville, Texas  
May 17, 2022

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Town of Rancho Viejo, Texas' (the "Town") annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended September 30, 2021. Please read it in conjunction with the Town's financial statements, which follow this section.

### *Financial Highlights*

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$2,471,873 (net position). Of this amount, \$1,619,982 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The net position for the Town increased by \$271,149 during the fiscal year, which includes \$342,632 of depreciation expense.
- The general fund balance at September 30, 2021 was \$1,803,305 an increase of \$170,948 during the fiscal year. Of this amount, \$1,100,000 is assigned for street rehab, \$300,000 is assigned for operations and \$243,285 is unassigned.

### *Overview of the Financial Statements*

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements and supplementary information*. The basic financial statements present Town operations in two categories:

1. Government-Wide financial statements  
The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances.
2. Governmental Fund financial statements  
For governmental activities, these statements tell how the services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

The Town provides for two major types of fund balances, which are nonspendable and spendable. GASB 54 establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

Nonspendable fund balances are balances that cannot be spent because they are either in nonspendable form or they are legally required to be maintained intact. Examples of nonspendable fund balances will be inventory and prepaid items. The Town has no nonspendable fund balance at September 30, 2021.

The spendable fund balances include restricted, committed, assigned and unassigned based upon the hierarchy of spending constraints. Restricted: fund balances that are constrained by external parties, or imposed by law; committed: fund balances that contain self-imposed constraints of the Town from its highest level of decision making authority (the Board of Alderman of the Town); assigned: fund balances that contained self-imposed constraints of the Town to be used for a particular purpose (the Board of Alderman of the Town or an official to whom which the Town has delegated the authority to assign funds for specific purposes); and unassigned: fund balance of the general fund that has not been constrained for any particular purpose.

*Basic Financial Statement Analysis*

The basic financial statements report information about the Town using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Town's assets, deferred outflows, liabilities, deferred inflows and net position. All of the current year's revenues, expenses and changes in the net position are accounted for in the statements of revenues, expenses and changes in net position regardless of when cash is received or paid.

The basic financial statements report the Town's net position, and how it has changed. Net position - the difference between the Town's assets, deferred outflows, liabilities and deferred inflows - is one way to measure the Town's financial health or position.

Over time, increases or decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating.

The Town's net position was \$2,200,274 and \$2,471,873 at September 30, 2020 and 2021, respectively. An analysis of the Town's net position is shown below:

	<u>2021</u>	<u>2020</u>
Capital assets, net	\$ 3,425,618	\$ 3,160,499
Current and other asset	<u>3,025,524</u>	<u>2,649,517</u>
Total assets	<u>6,451,142</u>	<u>5,810,016</u>
Deferred outflows of resources	<u>63,917</u>	<u>61,776</u>
Totals deferred outflows of resources	<u>63,917</u>	<u>61,776</u>
Current liabilities	503,106	243,112
Non-current liabilities	<u>3,061,157</u>	<u>3,225,130</u>
Total liabilities	<u>3,564,263</u>	<u>3,468,242</u>
Deferred inflows of resources	<u>478,923</u>	<u>202,826</u>
Totals deferred inflows of resources	<u>478,923</u>	<u>202,826</u>
Net position		
Net investment in capital assets	463,618	39,537
Restricted for:		
Police forfeiture funds	16,606	11,271
Debt service	3,548	1,099
Street maintenance and rehabilitation	368,119	767,250
Unrestricted	<u>1,619,982</u>	<u>1,381,567</u>
Total net position	<u>\$ 2,471,873</u>	<u>\$ 2,200,724</u>

Changes in the Town's net position can be determined by reviewing the following condensed Statements of Activities for the year ended September 30,

	<u>2021</u>	<u>2020</u>
Net operating revenues	\$ 1,879,381	\$ 1,663,803
Operating expenses	<u>1,608,232</u>	<u>1,544,892</u>
Excess revenues over expenses	271,149	118,911
Net position at beginning of year	<u>2,200,724</u>	<u>2,081,813</u>
Net position at end of year	<u>\$ 2,471,873</u>	<u>\$ 2,200,724</u>

*General Fund Budgetary Highlights*

Actual expenditures were \$188,860 less than budgeted expenditures.

*Analysis of Changes in Capital Assets and Long-Term Debt*

At the end of 2021, the Town had invested \$3,425,618, net of depreciation, in a broad range of capital assets, including buildings, vehicles and equipment.

Long-term debt, at the end of 2021, included the General Obligation refunding bonds, Series 2012 and the Certificate of Obligation, Series 2016. Private placement debt, General Obligation refunding bonds, Series 2012, is not publicly issued or publicly traded and as a result is not required to be rated by a credit rating agency. The Town paid approximately \$158,962 on these notes which left a balance of \$2,962,000.

The following table summarizes the Town's capital assets, net of accumulated depreciation, for the year ended September 30, 2021:

	Balance October 1, 2020	Additions	Deletions	Adjustments	Balance September 30, 2021
<b>Capital assets, not being depreciated</b>					
Land	\$ 178,580	\$ -	\$ -	\$ -	\$ 178,580
Construction in progress	1,022,718	466,388	-	-	1,489,106
Total capital assets, not depreciated	<u>1,201,298</u>	<u>466,388</u>	<u>-</u>	<u>-</u>	<u>1,667,686</u>
<b>Capital assets, being depreciated</b>					
Buildings	1,190,538	-	-	-	1,190,538
Improvements	149,791	-	-	-	149,791
Vehicles and equipment	862,403	139,192	(88,940)	-	912,655
Infrastructure	3,028,869	-	-	-	3,028,869
Total capital assets, depreciated	<u>5,231,601</u>	<u>139,192</u>	<u>(88,940)</u>	<u>-</u>	<u>5,281,853</u>
<b>Less accumulated depreciation for:</b>					
Buildings	(597,734)	(39,939)	-	-	(637,673)
Improvements	(50,782)	(4,739)	-	(1)	(55,522)
Vehicles and equipment	(683,964)	(56,481)	88,940	(74,250)	(725,755)
Infrastructure	(1,939,920)	(241,473)	-	76,422	(2,104,971)
Total accumulated depreciation	<u>(3,272,400)</u>	<u>(342,632)</u>	<u>88,940</u>	<u>2,171</u>	<u>(3,523,921)</u>
Total capital assets, being depreciated, net	<u>1,959,201</u>	<u>(203,440)</u>	<u>-</u>	<u>2,171</u>	<u>1,757,932</u>
Governmental activities, capital assets, net	<u>\$ 3,160,499</u>	<u>\$ 262,948</u>	<u>\$ -</u>	<u>\$ 2,171</u>	<u>\$ 3,425,618</u>

*Economic Factors and Next Year's Budgets and Rates*

- The Town's revenue budget and rates for next year's operations appear to be sufficient to provide adequate income during this period. The total revenues budgeted for the year ended September 30, 2021 are \$1,631,872 while total budgeted expenditures are \$1,455,909. Total taxable value for the 2020-2021 fiscal year is \$277,825,300 compared to \$274,672,059 in the 2019-2020 fiscal year. The tax rate for next year was set at .450000/\$100 of assessed valuation.

*Contacting the Town's Financial Management*

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's business office at (956) 350-4093.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF RANCHO VIEJO, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

	Primary Government
	Governmental
	Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,835,854
Receivables, (net):	
Property taxes	57,852
Assessments	7,897
Intergovernmental receivable	1,480
Net pension asset	122,441
Capital assets not being depreciated:	
Land	178,580
Construction in progress	1,489,106
Capital assets, net of accumulated depreciation:	
Buildings	552,865
Improvements	94,269
Vehicles and equipment	186,900
Infrastructure	923,898
Total assets	6,451,142
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow related to pensions	51,519
Deferred outflow related to OPEB	12,398
Total deferred outflows of resources	63,917
<b>LIABILITIES</b>	
Accounts payable	478,126
Accrued wages payable	24,980
Deferred revenue	304,777
Non-current liabilities:	
Due in one year	150,000
Due in more than one year	2,880,060
OPEB liability	31,097
Total liabilities	3,869,040
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	172,297
Deferred inflows related to OPEB	1,849
Total deferred inflows of resources	174,146
<b>NET POSITION</b>	
Net investment in capital assets	463,618
Restricted for	
Police forfeiture funds	16,606
Debt service	3,548
Street maintenance and rehabilitation	368,119
Unrestricted	1,619,982
Total net position	\$ 2,471,873

*The accompanying notes are an integral part of this statement.*

**TOWN OF RANCHO VIEJO, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	<u>Primary Government</u>  Total
<b>Governmental activities:</b>				
General government	\$ 498,641	\$ 114,000	\$ -	\$ (384,641)
Public safety	821,371	63,790	56,591	(700,990)
Public works	170,543	3,612	-	(166,931)
Streets	10,029	-	-	(10,029)
Interest and issuance costs	107,648	-	-	(107,648)
Total governmental activities	<u>1,608,232</u>	<u>181,402</u>	<u>56,591</u>	<u>(1,370,239)</u>
Total primary government	<u>\$ 1,608,232</u>	<u>\$ 181,402</u>	<u>\$ 56,591</u>	<u>(1,370,239)</u>
<b>General revenues:</b>				
Taxes:				
				997,246
				244,396
				140,013
				136,110
				7,533
				2,260
				<u>113,830</u>
				<u>1,641,388</u>
				271,149
				<u>2,200,724</u>
				<u>\$ 2,471,873</u>

*The accompanying notes are an integral part of this statement.*



**TOWN OF RANCHO VIEJO, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021**

	General Fund	Capital Project Fund	Debt Service Fund	COVID Fiscal Recovery Fund	Other Non-major Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,746,288	\$ 764,540	\$ 3,548	\$ 304,872	\$ 16,606	\$ 2,835,854
Receivables, (net of allowance):						
Property taxes	47,640	-	10,212	-	-	57,852
Assessments	7,897	-	-	-	-	7,897
Intergovernmental receivable	1,480	-	-	-	-	1,480
Total assets	<u>\$ 1,803,305</u>	<u>\$ 764,540</u>	<u>\$ 13,760</u>	<u>\$ 304,872</u>	<u>\$ 16,606</u>	<u>\$ 2,903,083</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 81,705	\$ 396,421	\$ -	\$ -	\$ -	\$ 478,126
Accrued wages payable	24,980	-	-	-	-	24,980
Deferred revenue	-	-	-	304,777	-	304,777
Total liabilities	<u>106,685</u>	<u>396,421</u>	<u>-</u>	<u>304,777</u>	<u>-</u>	<u>807,883</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	47,568	-	-	-	-	47,568
Unavailable revenue - special assessments	5,767	-	10,212	-	-	15,979
Total deferred inflows of resources	<u>53,335</u>	<u>-</u>	<u>10,212</u>	<u>-</u>	<u>-</u>	<u>63,547</u>
<b>FUND BALANCES</b>						
Restricted for:						
Public safety	-	-	-	-	16,606	16,606
Debt service	-	-	3,548	-	-	3,548
Street maintenance and rehabilitation	-	368,119	-	-	-	368,119
Assigned to:						
Street maintenance and rehabilitation	1,100,000	-	-	-	-	1,100,000
Operations reserve	300,000	-	-	-	-	300,000
Unassigned	243,285	-	-	95	-	243,380
Total fund balances	<u>1,643,285</u>	<u>368,119</u>	<u>3,548</u>	<u>95</u>	<u>16,606</u>	<u>2,031,653</u>
<b>Total liabilities, deferred inflows of resources &amp; fund balances</b>	<u>\$ 1,803,305</u>	<u>\$ 764,540</u>	<u>\$ 13,760</u>	<u>\$ 304,872</u>	<u>\$ 16,606</u>	<u>\$ 2,903,083</u>

*The accompanying notes are an integral part of this statement.*

**TOWN OF RANCHO VIEJO  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021**

Fund balances -- total governmental funds	\$	2,031,653
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,425,618
Some liabilities, including bonds payable, are not due in the current period and therefore not reported in the funds.		(3,030,060)
Property taxes receivable and assessments receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred inflows of resources in the fund financials.		63,547
Included in the items related to debt is the recognition of the Town's net pension asset required by GASB 68 in the amount of \$36,657, a deferred resource inflow related to pensions in the amount of \$28,398, and a deferred resource outflow related to pensions in the amount \$4,666.		1,663
Included in the items related to debt is the recognition of the Town's net pension OPEB liability required by GASB 75 in the amount of \$9,728, a deferred resource inflow related to OPEB in the amount of \$282, and a deferred resource outflow related to OPEB in the amount \$6,807.		<u>(20,548)</u>
Net position of governmental activities	\$	<u><u>2,471,873</u></u>

*The accompanying notes are an integral part of this statement.*

**TOWN OF RANCHO VIEJO, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	General Fund	Capital Projects Fund	Debt Service Fund	COVID Fiscal Recovery Fund	Other Non-major Fund	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 1,001,407	\$ -	\$ 244,396	\$ -	\$ -	\$ 1,245,803
Sales taxes	140,013	-	-	-	-	140,013
Franchise taxes	136,110	-	-	-	-	136,110
Alcohol and beverage taxes	7,533	-	-	-	-	7,533
Licenses and permits	76,101	-	-	-	-	76,101
Intergovernmental	56,591	-	-	-	-	56,591
Charges for services	37,899	-	-	-	-	37,899
Fines and forfeitures	56,240	-	-	-	7,550	63,790
Investment earnings	1,580	624	45	5	6	2,260
Special assessments	5,186	-	-	-	-	5,186
Miscellaneous	113,212	-	-	-	-	113,212
Total revenues	<u>1,631,872</u>	<u>624</u>	<u>244,441</u>	<u>5</u>	<u>7,556</u>	<u>1,884,498</u>
<b>EXPENDITURES</b>						
General government:						
Administration	209,039	-	-	-	-	209,039
General	114,680	-	-	10	-	114,690
Professional	81,264	-	-	-	-	81,264
Public safety:						
General services	30,000	-	-	-	-	30,000
Police	660,558	-	-	-	-	660,558
Public works	129,227	-	-	-	-	129,227
Streets	7,834	-	-	-	-	7,834
Debt service:						
Principal	18,962	-	140,000	-	-	158,962
Interest	741	-	104,379	-	-	105,120
Tax collection	-	-	2,528	-	-	2,528
Capital outlay	203,604	399,755	-	-	2,221	605,580
Total expenditures	<u>1,455,909</u>	<u>399,755</u>	<u>246,907</u>	<u>10</u>	<u>2,221</u>	<u>2,104,802</u>
Excess (deficiency) of revenues over (under) expenditures	<u>175,963</u>	<u>(399,131)</u>	<u>(2,466)</u>	<u>(5)</u>	<u>5,335</u>	<u>(220,304)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	4,915	100	-	5,015
Transfers out	<u>(5,015)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,015)</u>
Total financing sources (uses)	<u>(5,015)</u>	<u>-</u>	<u>4,915</u>	<u>100</u>	<u>-</u>	<u>-</u>
Net change in fund balances	170,948	(399,131)	2,449	95	5,335	(220,304)
Fund balances, October 1	1,472,337	767,250	1,099	-	11,271	2,251,957
Fund balances, September 30	<u>\$ 1,643,285</u>	<u>\$ 368,119</u>	<u>\$ 3,548</u>	<u>\$ 95</u>	<u>\$ 16,606</u>	<u>\$ 2,031,653</u>

*The accompanying notes are an integral part of this statement.*

**TOWN OF RANCHO VIEJO, 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 SEPTEMBER 30, 2021**

Net change in fund balances -- total governmental funds \$ (220,304)

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

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. 265,119

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 158,962

Compensated absences are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances. 14,739

Some pension-related expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 57,750

Other long-term assets, such as assessments receivable, are not available to pay for current period expenditures and therefore are unearned in the funds. (5,117)

Change in net position of governmental activities \$ 271,149

*The accompanying notes are an integral part of this statement.*

## **NOTES TO THE FINANCIAL STATEMENTS**

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Rancho Viejo, Texas, (the "Town") is duly incorporated under the general laws type "A" provisions of the State of Texas, which were adopted in an election, held on January 19, 1980. The Town operates under an Aldermanic form of government and is authorized to provide the following services in accordance with State statutes: Public safety (police), streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (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 more significant of the Town's accounting policies are described below.

*1. Reporting Entity*

As required by generally accepted accounting principles, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. The discussion of component units below summarizes the relevant guidelines considered by the Town in determining their operational or financial relationships.

*Blended component units* - Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town does not have any blended component units.

*Discretely presented component units* - The discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the Town. The Town does not have any discretely presented component units.

Excluded from the reporting entity:

*Valley Municipal Utility District No. 2*

This potential component unit has a separate elected board and provides services to residents, generally within the geographic boundaries of the Town. This potential component unit is excluded from the reporting entity because the Town does not have the ability to exercise influence over its daily operations, approve budgets, or provide funding.

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*2. Basis of Presentation*

**Government-Wide Statements**

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are not specifically associated with a program or function and therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses in the statement of activities.

**Fund Financial Statements**

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

The Town reports the following major governmental funds:

**General Fund:** This is the Town's primary operating fund. It accounts for all of the financial resources of the general government, except those required to be accounted for in another fund.

**Capital Projects Fund:** The Town uses this fund to account for the financial resources that are restricted, committed, or assigned to expenditures for capital outlay.

**Debt Service Fund:** The Town accounts for the accumulation of financial resources for the payment of general long-term debt principal, interest and expenditures paid principally from property tax revenue levied by the Town.

**COVID Fiscal Recovery Fund:** The Town uses this fund to account for this grant which provides a critical source of relief for smaller local governments, many of which had not previously received direct fiscal assistance from the federal government since the onset of the COVID-19 pandemic.

In addition, the Town reports the following non-major governmental fund types:

**Special Revenue Fund:** The Town accounts for resources restricted to, or assigned for, a specific purpose by the Town or a grantor in a special revenue fund. Most federal and some state financial award programs are accounted for in these funds and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Police Forfeiture Fund is used to account for seizure monies received from the federal government and police department related expenditures.

Governmental funds are used to account for all or most of the Town's general activities. The collection and disbursement of earmarked monies are accounted for in special revenue funds. The General Fund is used to account for all activities of the general government not accounted for in some other fund. However, the Board of Alderman have assigned a portion of the general fund balance for street rehab, security device, and beautification contribution.



**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

3. *Basis of Accounting*

**Government-Wide Fund Financial Statements**

These financial statements are reported using the economic resources measurement focus. The government-wide 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. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, includes property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used by governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). *Measurable* means the amount of the transaction can be determined and *available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the Town also are recognized as revenue. Revenues from fines, permits, and property liens are not susceptible to accrual because generally they are not measurable until received in cash.

The Town reports unearned revenue on its combined balance sheet. Unearned revenues arise when a potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Town before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

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

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*4. Budgets and Budgetary Accounting*

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

As required by state law, the Mayor submits to the Aldermen the proposed executive budget for the fiscal year at the beginning of such fiscal year. Public hearings are then conducted to obtain taxpayer comments.

The original annual appropriated budgets and any revisions of such budgets that affect the overall fund total expenditures are made through appropriated budget resolutions approved by the Aldermen. The original annual appropriated budgets are adopted by resolutions by the Aldermen prior to the beginning of the fiscal year as required by state law. The final annual amended appropriated budgets are used in this report. The overall fund total of actual expenditures cannot exceed the overall fund total of appropriated expenditures for such funds.

The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the overall fund total of appropriated expenditures of any fund must be approved by the Aldermen.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, several supplementary appropriations were necessary.

*5. Cash and Cash Equivalents*

For purposes of the basic financial statements, cash and cash equivalents include all highly liquid investments with a maturity of three months or less.

*6. Capital Assets*

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. A capitalization threshold of \$1,000 has been established by the Town.

*7. Accumulated Compensated Absences*

It is the Town's policy to permit employees to accumulate an amount of earned but unused vacation and sick leave. Vacation and sick leave are payable upon separation from employment. Any sick leave amount greater than 60 days, will be payable at the end of the year if not yet taken. In governmental funds, the cost of vacation and sick leave is recognized when payments are made to employees. In recognition of this policy, a liability of \$88,820 for vacation and sick leave has been recorded in the government-wide financial statements. This amount represents the Town's commitment to fund such costs from current operations.

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

8. *Fund Balances*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

*Nonspendable fund balances* will include amounts that cannot be spent because they are either in nonspendable form or they are legally required to be maintained intact. Examples of nonspendable fund balances will be inventory and prepaid items.

*Restricted fund balances* will exist when constraints are placed on the use of those resources that are either externally imposed or imposed by law.

*Committed fund balances* are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Alderman of the Town.

*Assigned fund balances* will be amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted, nor committed. The intent can be made by either the Board of Alderman of the Town or an official to whom which the Town has delegated authority. Appropriated fund balance and the majority of encumbrances will be reclassified into the assigned category.

*Unassigned fund balances* will represent those funds that have not been assigned, committed, restricted or considered nonspendable. The general fund will be the only fund that will report unassigned fund balance, unless a deficit fund balance resulting from overspending in other funds exist. Fund balance in other funds will either be assigned, committed, restricted or nonspendable unless the fund reports a deficit.

9. *Net Position*

The Town's net position is classified as follows:

Net investment in capital assets: consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position: consists of net position that is subject to a legally enforceable restriction on their use.

Unrestricted: consists of all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

10. *Deferred Outflows and Inflows of Resources*

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

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

10. *Deferred Outflows and Inflows of Resources - continued*

In addition to liabilities, the statement 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

11. *Estimates*

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

12. *Net Pension and OPEB Liability*

During fiscal year 2015, the Town adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the Town must assume their appropriate share of Net Pension Liability of the Texas Municipal Retirement System.

During fiscal year 2018, the Town adopted GASB Statement No. 75 for Accounting and Reporting for Other Post-Employment Benefits Other Than Pensions. With GASB 75, the Town must assume their appropriate share of Net OPEB Liability of the Texas Municipal Retirement System.

**NOTE B - DEPOSITS AND INVESTMENTS**

*Investment Accounting Policy*

The Town is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) Investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the Town adhered to the requirements of the Act. Additionally, investment practices of the Town were in accordance with local policies.

The Town'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 the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE B - DEPOSITS AND INVESTMENTS**

*Investment Accounting Policy - continued*

The Act determines the types of investments, which are allowable for the Town. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, 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 Town's policy authorizes all the State allowable investments.

The Town's management believes that it has complied in all material respects with the requirements of the act and the Town's investment policies.

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Act, the Town's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public fund investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005.

The Town'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 Town's agent bank, approved pledged securities in an amount sufficient to protect Town funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

*Cash Deposits*

At September 30, 2021, the carrying amount of the Town's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$2,835,854 and the bank balance was \$2,877,904.

The Town's cash deposits at September 30, 2021 are maintained primarily at Texas Regional Bank. These deposits were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank. The deposits were collateralized in accordance with Texas Law and the Town maintains copies of all safekeeping receipts in the name of the Town. Deposits were properly secured at all times.

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE B - DEPOSITS AND INVESTMENTS**

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The Town does not own any long-term investments.

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town does not own any investments other than collateralized bank deposits.

*Concentration of Credit Risk*

The Investment policy of the Town contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Act.

*Public Funds Investment Pools*

The Town had no funds in a public funds investment pool.

**NOTE C – RECEIVABLES**

Receivables at September 30, 2021, consist of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Receivables:			
Taxes	\$ 51,197	\$ 10,790	\$ 61,987
Assessments	7,897	-	7,897
Intergovernmental receivable	<u>1,480</u>	<u>-</u>	<u>1,480</u>
Gross receivables	60,574	10,790	71,364
Less allowance for uncollectable	<u>(3,557)</u>	<u>(578)</u>	<u>(4,135)</u>
Net total receivables	<u>\$ 57,017</u>	<u>\$ 10,212</u>	<u>\$ 67,229</u>

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE C - RECEIVABLES**

*Property Taxes*

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year, at which time the applicable property is assessed penalties and interest until paid. On July 1, the property is subject to lien plus penalties and interest until paid.

The Town's ad valorem taxes are collected by the Cameron County tax assessor-collector and are disbursed to the Town each month.

Taxes Receivable by Year	Schedule of Taxes Receivable		
	September 30, 2021		
	Debt Service Tax	Maintenance Tax	Total
2005	\$ -	\$ 638	\$ 638
2006	33	348	381
2007	36	372	408
2008	44	483	527
2009	57	629	686
2010	85	1,011	1,096
2011	78	1,056	1,134
2012	95	1,315	1,410
2013	60	1,279	1,339
2014	52	1,007	1,059
2015	119	2,360	2,479
2016	695	2,585	3,280
2017	980	3,756	4,736
2018	1,496	5,896	7,392
2019	1,817	7,390	9,207
2020	5,142	21,072	26,214
	10,789	51,197	61,986
Allowance for uncollectible	(578)	(3,556)	(4,134)
Total receivable at end of year	\$ 10,211	\$ 47,641	\$ 57,852

**NOTE D - DELINQUENT PROPERTY LIENS**

Current and delinquent property liens have not been reported in the financial statements. It is the Town's policy not to record lien revenues until they become available for appropriation. Accordingly, an amount equal to the liens not yet received has not been reported as unearned revenue. On September 30, 2021, total current and delinquent property liens were \$74,773.



**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended September 30, 2021 is as follows:

	Balance October 1, 2020	Additions	Deletions	Adjustments	Balance September 30, 2021
Capital assets, not being depreciated					
Land	\$ 178,580	\$ -	\$ -	\$ -	\$ 178,580
Construction in progress	1,022,718	466,388	-	-	1,489,106
Total capital assets, not depreciated	<u>1,201,298</u>	<u>466,388</u>	<u>-</u>	<u>-</u>	<u>1,667,686</u>
Capital assets, being depreciated					
Buildings	1,190,538	-	-	-	1,190,538
Improvements	149,791	-	-	-	149,791
Vehicles and equipment	862,403	139,192	(88,940)	-	912,655
Infrastructure	3,028,869	-	-	-	3,028,869
Total capital assets, depreciated	<u>5,231,601</u>	<u>139,192</u>	<u>(88,940)</u>	<u>-</u>	<u>5,281,853</u>
Less accumulated depreciation for:					
Buildings	(597,734)	(39,939)	-	-	(637,673)
Improvements	(50,782)	(4,739)	-	(1)	(55,522)
Vehicles and equipment	(683,964)	(56,481)	88,940	(74,250)	(725,755)
Infrastructure	(1,939,920)	(241,473)	-	76,422	(2,104,971)
Total accumulated depreciation	<u>(3,272,400)</u>	<u>(342,632)</u>	<u>88,940</u>	<u>2,171</u>	<u>(3,523,921)</u>
Total capital assets, being depreciated, net	<u>1,959,201</u>	<u>(203,440)</u>	<u>-</u>	<u>2,171</u>	<u>1,757,932</u>
Governmental activities, capital assets, net	<u>\$ 3,160,499</u>	<u>\$ 262,948</u>	<u>\$ -</u>	<u>\$ 2,171</u>	<u>\$ 3,425,618</u>

Depreciation is provided in the funds in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Site improvements	25-30 years
Buildings	30 years
Furniture and equipment	3-10 years
Vehicles	3 years

Depreciation was charged to government functions as follows:

General government	\$ 109,637
Public safety	184,729
Public works	40,140
Streets	8,126
Total depreciation-governmental activities	<u>\$ 342,632</u>

**TOWN OF RANCHO VIEJO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE F - LONG-TERM OBLIGATIONS**

*Bonds Payable*

*General Obligation Refunding Bonds, Series 2012 – Construction of Town Hall*

On September 11, 2012, the Town authorized issuance of General Obligation Refunding Bonds, Series 2012, in the amount of \$572,000. The bonds are payable from levying a continuing direct annual ad valorem tax. These bonds were issued for the purpose of providing funds to refinance a portion of the Town’s outstanding debt, for Tax Note, Series 2005 and to pay costs and expenses of the issuance. Principal payments are due on January 1, and interest payments are due semi-annually, January 1 and July 1 of each year commencing January 1, 2013 and continuing thereafter until maturity in 2027 with interest at rates ranging from 1.75% to 4.10%.

*Certificate of Obligation, Series 2016 – Street Rehabilitation*

On August 25, 2016, the Town authorized issuance of Certificates of Obligation, Series 2016, in the amount of \$3,150,000. These bonds were issued for the purpose of paying contractual obligations of the Town to be incurred for certain projects. Principal payments are due on January 1, and interest payments are due annually, March 1 of each year commencing July 26, 2016 and continuing thereafter until maturity in 2036 with interest at rate 3.38%.

	Balance October 1, 2020	Additions	Retirements	Balance September 30, 2021
General Obligations Refunding Bonds, Series 2012	\$ 317,000	\$ -	\$ 35,000	\$ 282,000
Certificate of Obligation, Series 2016	2,785,000	-	105,000	2,680,000
Total	\$ 3,102,000	\$ -	\$ 140,000	\$ 2,962,000

Annual debt service requirements are as follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2022	\$ 150,000	\$ 99,292	\$ 249,292
2023	155,000	93,920	248,920
2024	160,000	88,327	248,327
2025	170,000	82,428	252,428
2026	176,000	76,229	252,229
2027-2031	981,000	283,276	1,264,276
2032-2036	1,170,000	101,400	1,271,400
Total	\$ 2,962,000	\$ 824,872	\$ 3,786,872

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE G – CHANGES IN LONG –TERM LIABILITIES**

Long-term liability activity for the governmental activities for the year ended September 30, 2021, was as follows:

	Balance October 1, 2020	Additions	Retirements	Adjustments	Balance September 30, 2021	Amount Due Within One Year
Bonds Payable	\$ 3,102,000	\$ -	\$ 140,000	\$ -	\$ 2,962,000	\$ 150,000
Vehicle Loan	18,962	-	18,962	-	-	-
Net Pension Liability/ (Asset)	(85,784)	-	36,657	-	(122,441)	-
OPEB Liability	21,369	9,728	-	-	31,097	-
Compensated Absences	82,799	-	8,850	(5,890)	68,059	-
<b>Total</b>	<b>\$ 3,139,346</b>	<b>\$ 9,728</b>	<b>\$ 204,469</b>	<b>\$ (5,890)</b>	<b>\$ 2,938,715</b>	<b>\$ 150,000</b>

**NOTE H - EMPLOYEE RETIREMENT SYSTEM**

*Plan Description*

The Town participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at [www.tmr.org](http://www.tmr.org).

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

*Benefits Provided*

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

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

Employee deposit rate	7%
Matching ratio (Town to employee)	1.5 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	100%
Annuity Increase (to retirees)	0% of CPI

**TOWN OF RANCHO VIEJO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE H - EMPLOYEE RETIREMENT SYSTEM**

*Employees covered by benefit terms.*

At December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>12</u>
Total	<u><u>21</u></u>

*Contributions*

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contributions rate for each town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 6.82% and 5.57% in calendar years 2020 and 2021, respectively. The Town’s contributions to TMRS for the year ended September 30, 2021, were \$36,667, and were equal to the required contribution.

*Net Pension Liability*

The Town’s Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**TOWN OF RANCHO VIEJO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE H - EMPLOYEE RETIREMENT SYSTEM**

*Actuarial Assumptions:*

The Total Pension Liability in December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information	There were no benefit changes during the year.

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE H - EMPLOYEE RETIREMENT SYSTEM**

*Net Pension Liability*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Cash Equivalents	3.9%	-
Global Equities	32.1%	12.24%
Core Fixed Income	12.8%	4.34%
Non-Core Fixed Income	17.7%	6.13%
Real Return	10.9%	6.38%
Real Estate	8.7%	9.92%
Absolute Return	9.5%	6.45%
Private Equity	4.4%	23.23%
Total	<u>100.0%</u>	

*Discount Rate*

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan’s projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 2.75% (based on the daily rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index). A single discount rate of 6.75% was used to measure the total pension liability as of December 31, 2020. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%. Based on the stated assumptions and the projection of cash flows, the Town’s fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the Town. The projection of cash flows used to determine the single discount rate for the Town assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the Town will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals (i.e. the employer normal cost).

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE H - EMPLOYEE RETIREMENT SYSTEM**

*Changes in the Net Pension Liability (Asset)*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 2,773,932	\$ 2,859,716	\$ (85,784)
Changes for the year:			
Service cost	68,127	-	68,127
Interest	178,456	-	178,456
Difference between expected and actual experience	6,966	-	6,966
Contributions - employer	-	36,541	(36,541)
Contributions - employee	-	38,120	(38,120)
Net investment income	-	217,005	(217,005)
Benefit payments, including refunds of employee contributions	(328,400)	(328,400)	-
Administrative expense	-	(1,405)	1,405
Other changes	-	(55)	55
Net changes	<u>(74,851)</u>	<u>(38,194)</u>	<u>(36,657)</u>
Balance at 12/31/2020	<u>\$ 2,699,081</u>	<u>\$ 2,821,522</u>	<u>\$ (122,441)</u>

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

	1% Decrease in		1% Increase in	
	<u>Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>Discount Rate (7.75%)</u>
Town's net pension liability (asset)	\$ 234,109	\$ (122,441)	\$ (122,441)	\$ (415,687)

**TOWN OF RANCHO VIEJO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE H - EMPLOYEE RETIREMENT SYSTEM**

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at [www.tmrs.org](http://www.tmrs.org).

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2021, the Town recognized pension expense of \$(24,321).

At September 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 15,573	\$ 91,338
Changes in actuarial assumptions	12,309	-
Difference between projected and actual investment earnings (net of current year amortization)	-	80,959
Contributions subsequent to the measurement date	23,637	-
Total	\$ 51,519	\$ 172,297

*Pension Expense and Deferred Outflows of Resources Related to Pensions*

\$23,637 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Fiscal Year Ending September 30,	
2022	\$ (39,642)
2023	(10,548)
2024	(63,178)
2025	(20,788)
2026	(9,859)
Thereafter	(400)



**TOWN OF RANCHO VIEJO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE I – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION**

**TMRS Supplemental Death Benefit Fund**

**Plan Description:**

The Town voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the Town’s pension plan.

**Benefits Provided:**

The SDBF provides group-term life insurance to Town employees who are active members in TMRS, including or not including retirees. The Town Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>12</u>
	<u><u>18</u></u>

**Contributions:**

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.11% for 2020 and 0.11% for 2021, of which 0.01% and 0.04%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. The Town’s contributions to the SDBF for the years ended September 30, 2021 and 2020 were \$677 and \$583, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

**TOWN OF RANCHO VIEJO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE I – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION**

**Actuarial Assumptions:**

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate*	2.00%
Retirees' share of benefit-related costs	\$ 0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2020 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2020 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Note: The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

**TOWN OF RANCHO VIEJO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE I – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION**

**Discount Rate:**

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.00% was used to measure the Total OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2020.

**Discount Rate Sensitivity Analysis:**

The following schedule shows the impact of the total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.00%) in measuring the total OPEB Liability.

	<u>1% Decrease in Discount Rate (1.00%)</u>	<u>Discount Rate (2.00%)</u>	<u>1% Increase in Discount Rate (3.00%)</u>
Total OPEB Liability	\$ 41,349	\$ 31,097	\$ 23,968

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs:**

At September 30, 2021, the Town reported a liability of \$31,097 for its total OPEB Liability. The total OPEB Liability was determined by an actuarial valuation as of December 31, 2020. For the year ended September 30, 2021, the Town recognized OPEB expense of \$2,771. There were no changes of benefit terms that affected measurement of the total OPEB Liability during the measurement period.

**Changes in the total OPEB Liability:**

	<u>Total OPEB Liability</u>
Balance at 12/31/2019	\$ 21,369
Changes for the year:	
Service cost	871
Interest	599
Difference between expected and actual experience	2,736
Changes of assumptions	5,576
Benefit payments, including refunds of employee contributions	(54)
Net changes	<u>9,728</u>
Balance at 12/31/2020	<u>\$ 31,097</u>

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE I – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION**

At September 30, 2021, the Town reported deferred inflows and outflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 2,650	\$ 764
Changes in actuarial assumptions	9,281	1,085
Contributions subsequent to the measurement date	467	-
Total	\$ 12,398	\$ 1,849

Amounts of the reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	
2022	\$ 1,301
2023	1,301
2024	1,301
2025	1,301
2026	1,301
Thereafter	3,577

**NOTE J - COMPLIANCE AND ACCOUNTABILITY**

a. Finance-Related Legal and Contractual Provision

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," no violations of finance related legal and contractual provisions, occurred during the current year.

b. Deficit Fund Balance or Fund Net Position of Individual Funds

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

Fund Name	Amount	Remarks
None Noted	None Noted	No remarks necessary

**TOWN OF RANCHO VIEJO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE K - COMMITMENTS AND CONTINGENCIES**

*Contingencies*

From time to time the Town is a party to legal proceedings generally incidental to its operations. As of year-end there was no litigation outstanding against the Town.

Under guidelines from the U. S. Department of Justice and provisions of the State Code of Texas, the Town Police Department may receive proceeds from seized and forfeited money and property. Various procedures are required to be followed before a determination is made as to whether the proceeds from the seized property are awarded to the various law enforcement agencies.

Local law enforcement agencies are specifically required to use these funds to supplement and not supplant the existing funding for law enforcement activities. In effect, these funds are required to be used for purchases outside the department's operating budget and may not be used to fund purchases included in the police department's annual budget.

**NOTE L - OTHER EMPLOYEE BENEFITS**

The Town provides medical and life insurance benefits for its employees through a group insurance plan in the state-wide Texas Municipal League Joint Self-Insurance Fund. The plan features medical and life insurance benefits to all participants. Contributions to the plan are based on the marital and family status of an employee. For the year ended September 30, 2021, the Town's other employee benefit costs totaled \$67,666.

**NOTE M - RISK MANAGEMENT**

The Town is exposed to various uncertainties related to intentional and unintentional torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; health and dental medical claims by employees; and job-related accidents and injuries for which the Town carries commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year; no negative settlements or jury awards have exceeded insurance coverage in any of the past three years. The Town's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League's Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the Town in TML-IRP is limited to payment of premiums. The Town has not had any significant reduction in insurance coverage, and the Town is not aware of any pending claims for which expected liability would exceed the limits of the present insurance coverage.

**NOTE N - DEFERRED INFLOWS OF RESOURCES**

*Unavailable Revenue*

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue reported in the fund financial statements were as follows:

Governmental funds			
Delinquent property taxes receivable	\$	57,852	
Assessments		7,897	
	\$	65,749	

## **REQUIRED SUPPLEMENTAL INFORMATION**

TOWN OF RANCHO VIEJO, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Table with 5 columns: Item, Budget Original, Budget Final, Actual, and Variance With Final Budget Positive or (Negative). Rows include Revenues (Administration costs recovered, Property taxes, etc.) and Expenditures (General government: Administration, General).

**TOWN OF RANCHO VIEJO, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budget		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final		
Expenditures (continued)				
Professional:				
Legal	\$ 32,000	\$ 32,600	\$ 32,984	\$ (384)
Audit	7,800	8,700	8,700	-
Building inspections	20,000	30,000	28,805	1,195
Municipal judge	<u>14,050</u>	<u>12,550</u>	<u>10,775</u>	<u>1,775</u>
Total professional	<u>73,850</u>	<u>83,850</u>	<u>81,264</u>	<u>2,586</u>
Public safety:				
General services:				
Fire protection contract	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total general services	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Police:				
Salaries and payroll taxes	513,510	513,510	509,764	3,746
Retirement	27,200	27,200	29,492	(2,292)
Medical insurance	43,950	43,950	37,093	6,857
Life insurance	580	580	340	240
Workmen's compensation	11,000	11,000	10,366	634
Office supplies	6,000	15,300	13,474	1,826
Police investigation	21,200	21,200	18,475	2,725
Seminar and education	5,000	5,300	5,338	(38)
Auto repairs	9,604	9,304	9,098	206
Auto, gas and oil	20,974	20,974	17,785	3,189
Radio equipment maintenance	1,000	1,000	1,040	(40)
Police dispatch	3,600	3,600	3,512	88
Hurricane preparedness	4,000	4,000	3,998	2
Fire prevention/1st aid police	<u>800</u>	<u>800</u>	<u>783</u>	<u>17</u>
Total police	<u>668,418</u>	<u>677,718</u>	<u>660,558</u>	<u>17,160</u>



**TOWN OF RANCHO VIEJO, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budget		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final		
Expenditures (continued)				
Public Works				
Lighting expense	\$ 46,000	\$ 46,000	\$ 46,542	\$ (542)
Signs & safety markers	3,400	3,400	1,329	2,071
Lot mowing	2,700	2,050	1,510	540
Common area maintenance	63,500	63,500	58,689	4,811
Beautification project	5,000	5,000	3,780	1,220
Community alert system	2,000	2,000	1,950	50
Animal control	1,500	2,150	2,320	(170)
Security devices	8,350	8,350	6,024	2,326
Mosquito spraying	7,650	7,650	7,083	567
Total public works	<u>140,100</u>	<u>140,100</u>	<u>129,227</u>	<u>10,873</u>
Streets				
Street rehabilitation and engineering	53,475	53,475	7,834	45,641
Street reserve	75,000	75,000	-	75,000
Total streets	<u>128,475</u>	<u>128,475</u>	<u>7,834</u>	<u>120,641</u>
Debt Service				
Principal payment	19,704	19,704	18,962	742
Interest payment	-	-	741	(741)
Total debt service	<u>19,704</u>	<u>19,704</u>	<u>19,703</u>	<u>1</u>
Capital outlay				
Equipment	-	32,998	38,104	(5,106)
Office equipment	5,000	5,000	3,470	1,530
Buildings	-	26,800	24,600	2,200
Infrastructure	-	-	64,412	(64,412)
Automobile	33,700	140,224	73,018	67,206
Total capital outlay	<u>38,700</u>	<u>205,022</u>	<u>203,604</u>	<u>1,418</u>
Total expenditures	<u>1,459,147</u>	<u>1,644,769</u>	<u>1,455,909</u>	<u>188,860</u>
Excess of revenues over expenditures	<u>\$ 5,508</u>	<u>\$ 5,508</u>	<u>175,963</u>	<u>\$ 170,455</u>
Other financing sources (uses):				
Transfers out (use)	-	-	(5,015)	5,015
Net Change in Fund Balance				
Fund balance, beginning of year			<u>1,472,337</u>	
Fund balance, end of year			<u>\$ 1,643,285</u>	

**TOWN OF RANCHO VIEJO, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**Stewardship, Compliance, and Accountability**

**Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year- end.

As required by state law, the Mayor submits to the Board of Aldermen the proposed executive budget for the fiscal year prior to the beginning of such fiscal year. Public hearings are then conducted to obtain taxpayer comments.

The original annual appropriated budgets and any revisions of such budgets that affect the overall fund total expenditures are made through appropriated budget resolutions approved by the Board of Aldermen. The original annual appropriated budgets are adopted by resolutions by the Board of Aldermen prior to the beginning of the fiscal year as required by state law. The final annual amended appropriated budgets are used in this report. The overall fund total of actual expenditures cannot exceed the overall fund total of appropriated expenditures for such funds.

The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the overall fund total of appropriated expenditures of any fund must be approved by the Board of Aldermen.

**TOWN OF RANCHO VIEJO, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total pension liability</b>						
Services cost	\$ 57,686	\$ 65,539	\$ 63,439	\$ 65,888	\$ 66,956	\$ 68,127
Interest (on the total pension liability)	156,488	161,481	171,921	177,684	182,732	178,456
Difference between expected and actual experience	(2,640)	25,912	(29,493)	(24,080)	(87,313)	6,966
Change in assumptions	38,536	-	-	-	10,029	-
Benefit payments, including refunds of employee contributions	<u>(97,222)</u>	<u>(97,222)</u>	<u>(97,222)</u>	<u>(146,215)</u>	<u>(144,261)</u>	<u>(328,400)</u>
Net change in total pension liability	152,848	155,710	108,645	73,277	28,143	(74,851)
Total pension liability - beginning	<u>2,255,309</u>	<u>2,408,157</u>	<u>2,563,867</u>	<u>2,672,512</u>	<u>2,745,789</u>	<u>2,773,932</u>
Total pension liability - ending	<u>\$ 2,408,157</u>	<u>\$ 2,563,867</u>	<u>\$ 2,672,512</u>	<u>\$ 2,745,789</u>	<u>\$ 2,773,932</u>	<u>\$ 2,699,081</u>
<b>Plan Fiduciary net position</b>						
Contributions - employer	\$ 38,491	\$ 33,716	\$ 38,818	\$ 43,744	\$ 38,300	\$ 36,541
Contributions - employee	35,359	37,884	36,670	38,180	38,799	38,120
Net investment income	3,357	152,259	329,552	(80,389)	392,189	217,005
Benefit payments, including refunds of employee contributions	(97,222)	(97,222)	(97,222)	(146,215)	(144,261)	(328,400)
Administrative expense	(2,044)	(1,719)	(1,708)	(1,553)	(2,216)	(1,405)
Other	<u>(101)</u>	<u>(93)</u>	<u>(87)</u>	<u>(81)</u>	<u>(67)</u>	<u>(55)</u>
Net change in plan fiduciary net position	(22,160)	124,825	306,023	(146,314)	322,744	(38,194)
Plan fiduciary net position - beginning	<u>2,274,599</u>	<u>2,252,438</u>	<u>2,377,263</u>	<u>2,683,287</u>	<u>2,536,972</u>	<u>2,859,716</u>
Plan fiduciary net position - ending	<u>\$ 2,252,439</u>	<u>\$ 2,377,263</u>	<u>\$ 2,683,286</u>	<u>\$ 2,536,973</u>	<u>\$ 2,859,716</u>	<u>\$ 2,821,522</u>
<b>Net pension liability/(asset)</b>	\$ 155,718	\$ 186,604	\$ (10,774)	\$ 208,816	\$ (85,784)	\$ (122,441)
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	93.53%	92.72%	100.40%	92.40%	103.09%	104.54%
<b>Covered-employee payroll</b>	\$ 505,129	\$ 541,194	\$ 523,856	\$ 545,430	\$ 554,269	\$ 544,578
<b>Net pension liability/(asset) as a percentage of covered employee payroll</b>	30.83%	34.48%	-2.06%	38.28%	-15.48%	-22.48%

**TOWN OF RANCHO VIEJO, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Fiscal Year	2016	2017	2018	2019	2020	2020
Actuarial determined contribution	\$ 35,604	\$ 36,257	\$ 42,464	\$ 39,809	\$ 37,714	\$ 36,677
Contributions in relation to the actuarially determined contribution	(35,604)	(36,257)	(42,464)	(39,809)	(37,714)	(36,677)
Contribution deficiency (excess)	-	-	-	-	-	-
Covered employee payroll	\$ 505,129	\$ 541,194	\$ 523,856	\$ 545,430	\$ 554,269	\$ 544,578
Contributions as a percentage of covered employee payroll	7.05%	6.70%	8.11%	7.30%	6.80%	6.73%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the Town's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table for males and the General Employee table used for females. the rates are projected on a fully generational basis with scale UMP.

**Other Information**

There were no benefit changes during the year.

**Notes**

There were no benefit changes during the year.

**TOWN OF RANCHO VIEJO, TEXAS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Plan Year ended December 31,	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>A. Total OPEB liability</b>				
Service Cost	\$ 471	\$ 600	\$ 554	\$ 871
Interest (on the total OPEB Liability)	553	576	638	599
Differences between expected and actual experience	-	312	(974)	2,736
Changes in assumptions	1,718	(1,616)	4,266	5,576
Benefit payments, including refunds of employee contributions	<u>(52)</u>	<u>(55)</u>	<u>(55)</u>	<u>(54)</u>
Net change in total OPEB liability	2,690	(183)	4,429	9,728
Total OPEB liability - beginning	<u>14,433</u>	<u>17,123</u>	<u>16,940</u>	<u>21,369</u>
Total OPEB liability - ending	<u>17,123</u>	<u>16,940</u>	<u>21,369</u>	<u>31,097</u>
<b>B. Covered payroll</b>				
	\$ 523,856	\$ 545,430	\$ 554,269	\$ 544,578
<b>C. Total OPEB liability as a percentage of covered payroll</b>				
	3.27%	3.11%	3.86%	5.71%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**TOWN OF RANCHO VIEJO, TEXAS  
SCHEDULE OF OPEB CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Fiscal Year ended September 30,	2017	2018	2019	2020
Actuarial determined contribution	\$ 466	\$ 522	\$ 583	\$ 677
Contributions in relation to the actuarially determined contribution	<u>(466)</u>	<u>(522)</u>	<u>(583)</u>	<u>(677)</u>
Contribution deficiency (excess)	-	-	-	-
Covered payroll	\$ 523,856	\$ 545,430	\$ 547,581	\$ 544,578
Contributions as a percentage of covered payroll	-0.09%	-0.10%	-0.11%	-0.12%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	17 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the Town's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

**Other Information:** There were no benefit changes during the year.

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

## **OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF RANCHO VIEJO, TEXAS  
NON-MAJOR FUND  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2021**

	<u>Police Forfeiture Fund</u>	<u>Total Non-major Fund</u>
<b>ASSETS</b>		
Cash	\$ 16,606	\$ 16,606
Total assets	<u>\$ 16,606</u>	<u>\$ 16,606</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>		
Restricted for:		
Public safety	<u>16,606</u>	<u>16,606</u>
Total fund balance	<u>16,606</u>	<u>16,606</u>
Total liabilities and fund balance	<u>\$ 16,606</u>	<u>\$ 16,606</u>



**TOWN OF RANCHO VIEJO, TEXAS**  
**NON-MAJOR FUND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Police Forfeiture Fund	Total Non-major Fund
Revenues		
Investment earnings	\$       6	\$       6
Fines and forfeitures	<u>7,550</u>	<u>7,550</u>
Total revenues	<u>7,556</u>	<u>7,556</u>
Expenditures		
Capital outlay	<u>2,221</u>	<u>2,221</u>
Total expenditures	<u>2,221</u>	<u>2,221</u>
Excess (deficit) of revenues over (under) expenditures	5,335	5,335
Fund balance, October 1	<u>11,271</u>	<u>11,271</u>
Fund balance, September 30	<u>\$ 16,606</u>	<u>\$ 16,606</u>

**EXHIBIT E-3**

**TOWN OF RANCHO VIEJO, TEXAS  
INSURANCE COVERAGE  
SEPTEMBER 30, 2021**

Type of Coverage	From	To	Amount of Coverage
Insurer - Texas Windstorm Insurance Association			
Windstorm and Hail:			
Building	05/31/20	05/31/21	\$950,000
Insurer - Texas Municipal League Joint Self-Insurance Fund			
Liability:			
General Liability	10/01/20	10/01/21	5,000,000
Automobile Liability	10/01/20	10/01/21	5,000,000
Law Enforcement Liability	10/01/20	10/01/21	5,000,000
Errors and Omissions Liability	10/01/20	10/01/21	5,000,000
Automobile Physical Damage	10/01/20	10/01/21	as scheduled
Value paper and records and EDP Media	10/01/20	10/01/21	10,000
Accounts Receivable	10/01/20	10/01/21	10,000
Loss of Revenue, extra expense and rents	10/01/20	10/01/21	50,000
Personal effects	10/01/20	10/01/21	5,000
Leasehold interest	10/01/20	10/01/21	5,000
Outdoor trees and shrubs	10/01/20	10/01/21	10,000
Blanket Limit - Real and Personal Property	10/01/20	10/01/21	1,423,512
Transit Limit	10/01/20	10/01/21	1,000,000
Boiler and Machinery	10/01/20	10/01/21	100,000
Workmens' Compensation Liability	10/01/20	10/01/21	statutory
Fire Hall	10/01/20	10/01/21	66,528
Town Hall	10/01/20	10/01/21	1,080,551
Playground equipment	10/01/20	10/01/21	92,221
Flag pole	10/01/20	10/01/21	1,096
Security cameras	10/01/20	10/01/21	27,620
Generator	10/01/20	10/01/21	28,496
Cyber Liability and Data Breach	10/01/20	10/01/21	1,000,000
Insurer - Merchants Mutual Bonding Company			
Surety Bonds:			
Town Administrator	09/20/20	09/20/21	10,000
Public Officials (8 policemen) each various renewal dates			5,000

\*All policies have been renewed.

## **COMPLIANCE SECTION**



# Cascos & Associates, PC

Certified Public Accountants  
Audit/Accounting/Tax/Consulting

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

To the Honorable Mayor and Members  
of the Board of Aldermen  
Town of Rancho Viejo, 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, each major fund, and the aggregate remaining fund information of the Town of Rancho Viejo, Texas (the "Town") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 17, 2022.

### Internal Control over Financial Reporting

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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*.



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**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.

A handwritten signature in blue ink that reads "Casco & Associates, PC". The signature is written in a cursive, flowing style.

Casco & Associates, PC  
Brownsville, Texas  
May 17, 2022