

*ANNUAL FINANCIAL REPORT*

of the

**CITY OF  
OAK RIDGE NORTH, TEXAS**

**For the Year Ended  
September 30, 2022**

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# CITY OF OAK RIDGE NORTH, TEXAS

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## ***INDEPENDENT AUDITORS' REPORT***

To the Honorable Mayor and  
Members of the City Council of the  
City of Oak Ridge North, Texas:

### **Opinions**

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

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

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Change in Accounting Principle**

As described in Note I. F. 8. to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*, in fiscal year 2022. Our opinion is not modified with respect to this matter.

### **Responsibility of Management 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.

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

### **Auditors' Responsibility for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

### **Required Supplementary Information**

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

## Supplementary Information

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
February 1, 2023

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

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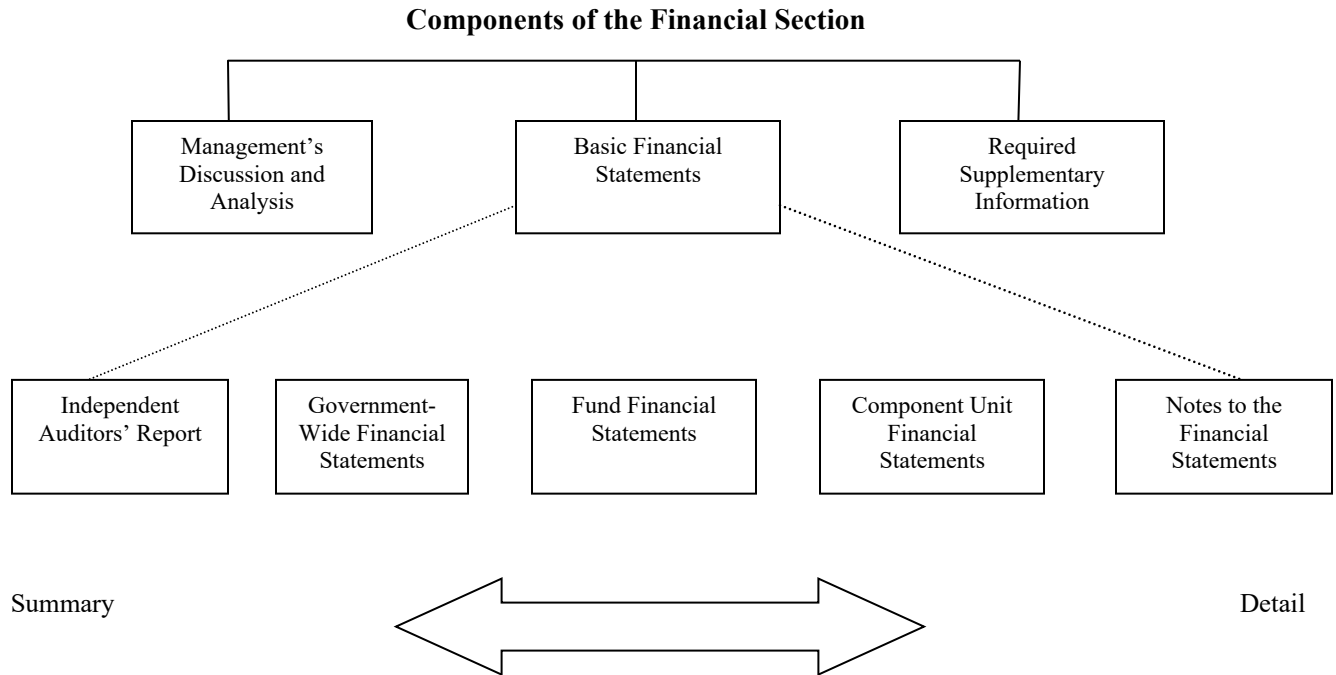
# CITY OF OAK RIDGE NORTH, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2022

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Oak Ridge North, Texas (the "City") for the year ending September 30, 2022. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

### THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

# **CITY OF OAK RIDGE NORTH, TEXAS**

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

**For the Year Ended September 30, 2022**

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – The City's basic services are reported here including general government, public safety, and public works. Interest payments on the City's debt are also reported here. Sales taxes, property taxes, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water distribution and wastewater collection/treatment operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation, tax increment reinvestment zone, and public improvement district for which the City is financially accountable. These entities, although legally separate, function for all practical purposes as departments of the City and, therefore, have been included as an integral part of the primary government.

The government-wide financial statements can be found after the MD&A.

### **FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

#### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds that had activity during the fiscal year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital improvements fund, the Oak Ridge North Economic Development Corporation (EDC) fund, and the capital projects fund, which are considered to be major funds, as well as the Tax Incremental Reinvestment Zone (TIRZ) fund, which is

**CITY OF OAK RIDGE NORTH, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2022**

considered a nonmajor fund for reporting purposes. Budgetary comparison schedules have been provided for the general, debt service, and special revenue funds.

**Proprietary Funds**

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water distribution and wastewater collection/treatment operations. The proprietary fund financial statements provide separate information for the water distribution and wastewater collection/treatment operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

**Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

**Other Information**

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes budgetary comparison schedules for the general fund and Oak Ridge North EDC fund, and schedules of changes in net pension and total other postemployment benefits liability and related ratios and a schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$26,819,155 as of September 30, 2022. The largest portion of the City's net position, \$15,267,996, or 57%, represents net investment in capital assets (e.g. land, buildings, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities. The balance of unrestricted net position, \$7,322,197 or 27%, may be used to meet the City's ongoing obligation to citizens and creditors. The remaining portion of net position, \$4,228,962 or 16%, is restricted for specific purposes.

There was an increase in ending net position of \$2,454,212 from prior year. The statement of net position included an increase in total assets of \$5,779,119 which is primarily the result of an increase in cash from unspent bond proceeds and increase in capital assets. Total liabilities also increased from \$16,445,236 at September 30, 2021 to \$19,403,647 at September 30, 2022 which was mainly due to an increase in liabilities in debt obligations.

**CITY OF OAK RIDGE NORTH, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2022

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

	September 30, 2022			
	(Full Accrual)		Reconciliation	Total Primary Government
	Governmental Activities	Business-Type Activities		
Current and other assets	\$ 21,648,475	\$ 1,038,408	\$ -	\$ 22,686,883
Capital assets, net	12,184,192	11,808,144	-	23,992,336
<b>Total Assets</b>	<b>33,832,667</b>	<b>12,846,552</b>	<b>-</b>	<b>46,679,219</b>
Deferred charges on refunding	44,888	-	-	44,888
Deferred outflows - pensions	303,952	44,484	-	348,436
Deferred outflows - OPEB	115,222	-	-	115,222
<b>Total Deferred Outflows of Resources</b>	<b>464,062</b>	<b>44,484</b>	<b>-</b>	<b>508,546</b>
Long-term liabilities	18,024,705	41,296	-	18,066,001
Other liabilities	1,129,873	207,773	-	1,337,646
<b>Total Liabilities</b>	<b>19,154,578</b>	<b>249,069</b>	<b>-</b>	<b>19,403,647</b>
Deferred inflows - lease	32,460	-	-	32,460
Deferred inflows - pensions	700,824	99,352	-	800,176
Deferred inflows - OPEB	132,327	-	-	132,327
<b>Total Deferred Inflows of Resources</b>	<b>865,611</b>	<b>99,352</b>	<b>-</b>	<b>964,963</b>
<b>Net Position:</b>				
Net investment in capital assets	6,719,740	11,808,144	(3,259,888)	15,267,996
Restricted	4,228,962	-	-	4,228,962
Unrestricted	3,327,838	734,471	3,259,888	7,322,197
<b>Total Net Position</b>	<b>\$ 14,276,540</b>	<b>\$ 12,542,615</b>	<b>\$ -</b>	<b>\$ 26,819,155</b>

	September 30, 2021			
	(Full Accrual)		Reconciliation	Total Primary Government
	Governmental Activities	Business-Type Activities		
Current and other assets	\$ 18,474,519	\$ 1,610,008	\$ -	\$ 20,084,527
Capital assets, net	8,514,756	12,300,817	-	20,815,573
<b>Total Assets</b>	<b>26,989,275</b>	<b>13,910,825</b>	<b>-</b>	<b>40,900,100</b>
Deferred charges on refunding	48,629	-	-	48,629
Deferred outflows - pensions	273,922	40,089	-	314,011
Deferred outflows - OPEB	150,429	-	-	150,429
<b>Total Deferred Outflows of Resources</b>	<b>472,980</b>	<b>40,089</b>	<b>-</b>	<b>513,069</b>
Long-term liabilities	15,193,547	118,898	-	15,312,445
Other liabilities	855,750	277,041	-	1,132,791
<b>Total Liabilities</b>	<b>16,049,297</b>	<b>395,939</b>	<b>-</b>	<b>16,445,236</b>
Deferred inflows - pensions	388,371	53,621	-	441,992
Deferred inflows - OPEB	160,998	-	-	160,998
<b>Total Deferred Inflows of Resources</b>	<b>549,369</b>	<b>53,621</b>	<b>-</b>	<b>602,990</b>
<b>Net Position:</b>				
Net investment in capital assets	6,480,539	12,300,817	(3,391,371)	15,389,985
Restricted	3,306,955	-	-	3,306,955
Unrestricted	1,076,095	1,200,537	3,391,371	5,668,003
<b>Total Net Position</b>	<b>\$ 10,863,589</b>	<b>\$ 13,501,354</b>	<b>\$ -</b>	<b>\$ 24,364,943</b>

**CITY OF OAK RIDGE NORTH, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2022**

The overall condition of the City increased \$2,454,212 which was largely the result of an increase in sales tax revenue due to consumer spending and economic growth in the City.

**Statement of Activities**

The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2022			For the Year Ended September 30, 2021		
	(Full Accrual)		Total	(Full Accrual)		Total
	Governmental Activities	Business-Type Activities	Primary Government	Governmental Activities	Business-Type Activities	Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,205,599	\$ 1,492,981	\$ 2,698,580	\$ 1,119,197	\$ 1,466,090	\$ 2,585,287
Operating grants and contributions	586,852	-	586,852	246,858	10,042	256,900
General revenues:						
Ad valorem taxes	1,986,139	-	1,986,139	1,892,338	-	1,892,338
Sales taxes	4,107,336	-	4,107,336	3,131,427	-	3,131,427
Franchise fees	178,833	-	178,833	177,295	-	177,295
Investment earnings	142,491	9,777	152,268	7,668	507	8,175
Other revenues	61,184	-	61,184	73,419	-	73,419
<b>Total Revenues</b>	<b>8,268,434</b>	<b>1,502,758</b>	<b>9,771,192</b>	<b>6,648,202</b>	<b>1,476,639</b>	<b>8,124,841</b>
<b>Expenses</b>						
General government	1,849,345	-	1,849,345	1,577,397	-	1,577,397
Public safety	1,951,641	-	1,951,641	1,849,119	-	1,849,119
Public works	1,115,090	-	1,115,090	1,211,404	-	1,211,404
Water and sewer	-	1,944,071	1,944,071	-	1,757,242	1,757,242
Interest and fiscal agent fees	456,833	-	456,833	501,729	-	501,729
<b>Total Expenses</b>	<b>5,372,909</b>	<b>1,944,071</b>	<b>7,316,980</b>	<b>5,139,649</b>	<b>1,757,242</b>	<b>6,896,891</b>
<b>Increase (Decrease) in Net Position Before Transfers</b>	<b>2,895,525</b>	<b>(441,313)</b>	<b>2,454,212</b>	<b>1,508,553</b>	<b>(280,603)</b>	<b>1,227,950</b>
Transfers in (out)	517,426	(517,426)	-	839,649	(839,649)	-
<b>Change in Net Position</b>	<b>3,412,951</b>	<b>(958,739)</b>	<b>2,454,212</b>	<b>2,348,202</b>	<b>(1,120,252)</b>	<b>1,227,950</b>
Beginning net position	10,863,589	13,501,354	24,364,943	8,515,387	14,621,606	23,136,993
<b>Ending Net Position</b>	<b>\$ 14,276,540</b>	<b>\$ 12,542,615</b>	<b>\$ 26,819,155</b>	<b>\$ 10,863,589</b>	<b>\$ 13,501,354</b>	<b>\$ 24,364,943</b>

For the year ended September 30, 2022, revenues from governmental activities totaled \$8,268,434. Overall governmental revenues increased by \$1,620,232 mainly due to increases in sales taxes and operating grants and contributions. Operating grants and contributions increased due to construction activity and sales taxes increased due to higher consumer spending than the previous year.

For the year ended September 30, 2022, expenses for governmental activities totaled \$5,372,909. This represents an increase of \$233,260 compared to last year mainly due to increased salaries during the year.

For the year ended September 30, 2022, revenues from business-type activities totaled \$1,502,758. Overall business-type revenues had an increase of \$26,119 mainly due to more customer consumption. Expenses for business-type activities increased by \$186,829 mainly due to increases in salaries and operational cost for surface water and groundwater reduction.

**CITY OF OAK RIDGE NORTH, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2022**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

As of September 30, 2022, the City's governmental funds reflect a combined fund balance of \$20,544,840. Of this combined fund balance, \$140,482 is nonspendable for prepaids, \$391,314 is restricted for debt service, \$8,923,988 is restricted for capital projects, \$124,311, is restricted by enabling legislation, \$2,370,439 is restricted for economic development, \$1,342,148 is restricted for the TIRZ, \$2,733,047 is assigned for capital improvements, and \$200,000 is assigned for severance reserve. Unassigned fund balance totaled \$4,319,111.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$4,319,111, while total fund balance was \$4,781,904. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 99% of total general fund expenditures, while total fund balance represents 109% of the total expenditures. The general fund demonstrated an overall increase of \$625,712. Compared to the prior year, revenues increased primarily due to an increase in sales taxes from an increase in consumer spending. Expenditures increased due primarily to increases in personnel costs.

The debt service fund has a total fund balance of \$115,758, of which \$114,508 is restricted for the payment of debt service. The net increase in fund balance during the current year was \$5,697. This increase can be attributed to a transfer from the TIRZ fund.

The City's EDC fund recorded an increase in fund balance of \$698,848 primarily due to an increase in sales tax revenues from an increase in consumer spending. The EDC fund had an ending fund balance of \$2,647,245, which is restricted for economic development within the City and debt service on loan agreement. The EDC also issued debt during the fiscal year, all of which was transferred to the capital projects fund for construction projects.

The capital improvements fund had a fund balance of \$2,733,047 which was an increase of \$1,277,978 due to transfers in from the general fund, the water and sewer fund, and EDC fund.

The capital projects fund had a fund balance of \$8,923,988 which was an increase of \$185,973 which included transfers from the EDC of \$4,000,000 and capital outlay of \$3,707,133.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget adopted anticipated no change in fund balance and the final adopted budget anticipated a decrease of \$666,883 which was primarily due to amendments made to transfers out. The actual net change in fund balance was an increase of \$625,712, primarily as a result of more revenues than expected. Actual general fund revenues were more than amended budgeted revenues by \$1,137,695 during fiscal year 2022. This positive variance is mainly due to the positive variances for sales taxes and intergovernmental revenues. Actual



**CITY OF OAK RIDGE NORTH, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2022**

expenditures were less than the final amended budget by \$128,996 for the fiscal year mainly due to the positive variances for administration, public works, and public safety.

**CAPITAL ASSETS**

At the end of fiscal year 2022, the City's governmental and business-type activities had invested \$23,992,336 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$3,176,763.

Major capital asset events during the year included the following:

- Robinson Road project for \$3,570,268
- Public works site/building for \$145,880
- Park custom playground – Teddy Bear Park for \$264,127

More detailed information about the City's capital assets is presented in note III.D to the financial statements.

**LONG-TERM DEBT**

At the end of the current year, the City had general obligation bonds of \$3,215,000, certificates of obligation of \$9,705,000, and a loan that was issued during the fiscal year of \$4,000,000. The City also had notes payable outstanding of \$19,359 which was for the purchase of police radios.

More detailed information about the City's long-term liabilities is presented in note III.E to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City Council approved a \$5.01 million budget for the 2022/2023 fiscal year. The property tax rate for the fiscal year 2023 decreased to \$0.4248 per \$100 of valuation.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Finance Department, 27424 Robinson Road, Oak Ridge North, TX, 77385; or for general City information, visit the City's website at [www.oakridgenorth.com](http://www.oakridgenorth.com).

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***BASIC FINANCIAL STATEMENTS***

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# CITY OF OAK RIDGE NORTH, TEXAS

## STATEMENT OF NET POSITION (Full Accrual)

September 30, 2022

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 20,090,100	\$ 1,183,165	\$ -	\$ 21,273,265
Receivables, net of allowances	915,177	141,302	-	1,056,479
Lease receivables	31,934	-	-	31,934
Internal balances	440,082	(440,082)	-	-
Prepaid costs	140,482	41,826	-	182,308
Restricted assets:				
Cash and cash equivalents	30,700	112,197	-	142,897
Capital assets:				
Nondepreciable capital assets	7,501,749	372,320	-	7,874,069
Depreciable capital assets, net	4,682,443	11,435,824	-	16,118,267
<b>Total Assets</b>	<b>33,832,667</b>	<b>12,846,552</b>	<b>-</b>	<b>46,679,219</b>
<b><u>Deferred Outflows of Resources</u></b>				
Deferred charges on refunding	44,888	-	-	44,888
Deferred outflows - pensions	303,952	44,484	-	348,436
Deferred outflows - OPEB	115,222	-	-	115,222
<b>Total Deferred Outflows of Resources</b>	<b>464,062</b>	<b>44,484</b>	<b>-</b>	<b>508,546</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	649,932	95,576	-	745,508
Accrued interest	110,105	-	-	110,105
Customer deposits	30,700	112,197	-	142,897
Unearned revenue	339,136	-	-	339,136
<b>Total Current Liabilities</b>	<b>1,129,873</b>	<b>207,773</b>	<b>-</b>	<b>1,337,646</b>
Noncurrent liabilities:				
Due within one year	947,236	23,577	-	970,813
Due in more than one year	17,077,469	17,719	-	17,095,188
<b>Total Noncurrent Liabilities</b>	<b>18,024,705</b>	<b>41,296</b>	<b>-</b>	<b>18,066,001</b>
<b>Total Liabilities</b>	<b>19,154,578</b>	<b>249,069</b>	<b>-</b>	<b>19,403,647</b>
<b><u>Deferred Inflows of Resources</u></b>				
Deferred inflows - lease	32,460	-	-	32,460
Deferred inflows - pensions	700,824	99,352	-	800,176
Deferred inflows - OPEB	132,327	-	-	132,327
<b>Total Deferred Inflows of Resources</b>	<b>865,611</b>	<b>99,352</b>	<b>-</b>	<b>964,963</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	6,719,740	11,808,144	(3,259,888)	15,267,996
Restricted for:				
Debt service	391,314	-	-	391,314
Economic development	2,370,439	-	-	2,370,439
Enabling legislation	124,311	-	-	124,311
Tax increment reinvestment zone	1,342,898	-	-	1,342,898
Unrestricted	3,327,838	734,471	3,259,888	7,322,197
<b>Total Net Position</b>	<b>\$ 14,276,540</b>	<b>\$ 12,542,615</b>	<b>\$ -</b>	<b>\$ 26,819,155</b>

See Notes to Financial Statements.

# CITY OF OAK RIDGE NORTH, TEXAS

## STATEMENT OF ACTIVITIES (Full Accrual)

For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
General government	\$ 1,849,345	\$ 189,509	\$ -
Public safety	1,951,641	642,346	119,349
Public works	1,115,090	373,744	467,503
Interest and fiscal agent fees	456,833	-	-
<b>Total Governmental Activities</b>	<b>5,372,909</b>	<b>1,205,599</b>	<b>586,852</b>
<b>Business-Type Activities:</b>			
Water and sewer	1,944,071	1,492,981	-
<b>Total Business-Type Activities</b>	<b>1,944,071</b>	<b>1,492,981</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 7,316,980</b>	<b>\$ 2,698,580</b>	<b>\$ 586,852</b>

**General Revenues:**

- Ad valorem taxes
- Sales taxes
- Franchise fees
- Investment earnings
- Other revenues
- Transfers

**Total General Revenues and Transfers**

**Change in Net Position**

Beginning net position

**Ending Net Position**

See Notes to Financial Statements.

Note: Charges for services includes license and permit fees, solid waste disposal fees, and court fines. Operating grants and contributions include drainage district no. 6 fees.

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

<b>Government Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (1,659,836)	\$ -	\$ (1,659,836)
(1,189,946)	-	(1,189,946)
(273,843)	-	(273,843)
(456,833)	-	(456,833)
<u>(3,580,458)</u>	<u>-</u>	<u>(3,580,458)</u>
-	(451,090)	(451,090)
-	(451,090)	(451,090)
<u>(3,580,458)</u>	<u>(451,090)</u>	<u>(4,031,548)</u>
1,986,139	-	1,986,139
4,107,336	-	4,107,336
178,833	-	178,833
142,491	9,777	152,268
61,184	-	61,184
517,426	(517,426)	-
<u>6,993,409</u>	<u>(507,649)</u>	<u>6,485,760</u>
3,412,951	(958,739)	2,454,212
10,863,589	13,501,354	24,364,943
<u>\$ 14,276,540</u>	<u>\$ 12,542,615</u>	<u>\$ 26,819,155</u>

# CITY OF OAK RIDGE NORTH, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS (Modified Accrual)

September 30, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Oak Ridge North Economic Development Corporation</u>	<u>Capital Improvements</u>
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents	\$ 5,223,349	\$ 121,880	\$ 2,488,057	\$ 1,911,313
Receivables, net	689,963	20,847	204,367	-
Lease receivable	31,934	-	-	-
Due from other funds	115,477	-	-	1,433,554
Prepaid costs	138,482	1,250	-	-
Restricted assets:				
Cash and cash equivalents	30,700	-	-	-
<b>Total Assets</b>	<b><u>\$ 6,229,905</u></b>	<b><u>\$ 143,977</u></b>	<b><u>\$ 2,692,424</u></b>	<b><u>\$ 3,344,867</u></b>
<b><u>Liabilities:</u></b>				
Accounts payable	\$ 264,662	\$ 750	\$ -	\$ 338,684
Accrued liabilities	45,836	-	-	-
Customer deposits	30,700	-	-	-
Due to other funds	977,783	6,622	45,179	-
Unearned revenue	66,000	-	-	273,136
<b>Total Liabilities</b>	<b><u>1,384,981</u></b>	<b><u>7,372</u></b>	<b><u>45,179</u></b>	<b><u>611,820</u></b>
<b><u>Deferred Inflows of Resources:</u></b>				
Unavailable revenue - property taxes	30,560	20,847	-	-
Unavailable revenue - lease	32,460	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>63,020</u></b>	<b><u>20,847</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b><u>Fund Balances:</u></b>				
Nonspendable:				
Prepays	138,482	1,250	-	-
Restricted:				
Debt service	-	114,508	276,806	-
Capital projects fund	-	-	-	-
Economic development	-	-	2,370,439	-
Court security	56,668	-	-	-
Court technology	30,738	-	-	-
Local municipal jury	655	-	-	-
Seizure funds	3,472	-	-	-
Local truancy prevention	32,778	-	-	-
Tax increment reinvestment zone	-	-	-	-
Assigned:				
Severance reserve fund	200,000	-	-	-
Capital projects fund	-	-	-	2,733,047
Unassigned	4,319,111	-	-	-
<b>Total Fund Balances</b>	<b><u>4,781,904</u></b>	<b><u>115,758</u></b>	<b><u>2,647,245</u></b>	<b><u>2,733,047</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 6,229,905</u></b>	<b><u>\$ 143,977</u></b>	<b><u>\$ 2,692,424</u></b>	<b><u>\$ 3,344,867</u></b>

See Notes to Financial Statements.



	<b>Nonmajor Governmental Fund</b>	
<b>Capital Projects</b>	<b>TIRZ</b>	<b>Total Governmental Funds</b>
\$ 8,999,970	\$ 1,345,531	\$ 20,090,100
-	-	915,177
-	-	31,934
-	-	1,549,031
-	750	140,482
-	-	30,700
<u>\$ 8,999,970</u>	<u>\$ 1,346,281</u>	<u>\$ 22,757,424</u>
\$ -	\$ -	\$ 604,096
-	-	45,836
-	-	30,700
75,982	3,383	1,108,949
-	-	339,136
<u>75,982</u>	<u>3,383</u>	<u>2,128,717</u>
-	-	51,407
-	-	32,460
-	-	<u>83,867</u>
-	750	140,482
-	-	391,314
8,923,988	-	8,923,988
-	-	2,370,439
-	-	56,668
-	-	30,738
-	-	655
-	-	3,472
-	-	32,778
-	1,342,148	1,342,148
-	-	200,000
-	-	2,733,047
-	-	4,319,111
<u>8,923,988</u>	<u>1,342,898</u>	<u>20,544,840</u>
<u>\$ 8,999,970</u>	<u>\$ 1,346,281</u>	<u>\$ 22,757,424</u>

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

Total fund balances for governmental funds \$ 20,544,840

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.

Capital assets - nondepreciable	7,501,749	
Capital assets - net depreciable	<u>4,682,443</u>	12,184,192

Long-term liabilities and deferred outflows and deferred inflows related to bonds and the net pension and total other post employment benefit (OPEB) liability are deferred in the governmental funds.

Deferred charges on refunding	44,888	
Deferred outflows - pensions	303,952	
Deferred outflows - OPEB	115,222	
Deferred inflows - pensions	(700,824)	
Deferred inflows - OPEB	<u>(132,327)</u>	(369,089)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 51,407

Some liabilities, including bonds payable, the net pension and total OPEB liability, accrued interest, and compensated absences are not reported as liabilities in the governmental funds.

Accrued interest	(110,105)	
Net pension liability	(119,683)	
Total OPEB liability	(137,551)	
Noncurrent liabilities due in one year	(947,236)	
Noncurrent liabilities due in more than one year	<u>(16,820,235)</u>	(18,134,810)

**Net Position of Governmental Activities** \$ 14,276,540

See Notes to Financial Statements.

**CITY OF OAK RIDGE NORTH, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (Modified Accrual)**  
**For the Year Ended September 30, 2022**

	<b>General</b>	<b>Debt Service</b>	<b>Oak Ridge North Economic Development Corporation</b>	<b>Capital Improvements</b>
<b><u>Revenues</u></b>				
Ad valorem taxes	\$ 994,022	\$ 539,093	\$ -	\$ -
Sales taxes	3,112,521	-	994,815	-
Franchise fees	178,833	-	-	-
Permits, licenses, and fees	189,509	-	-	-
Fines and forfeitures	642,346	-	-	-
Charges for services	373,744	-	-	-
Intergovernmental	119,349	-	3,715	463,788
Investment earnings	39,614	2,414	14,559	9,893
Other revenue	61,184	-	-	-
<b>Total Revenues</b>	<b>5,711,122</b>	<b>541,507</b>	<b>1,013,089</b>	<b>473,681</b>
<b><u>Expenditures</u></b>				
Current:				
General government	1,475,656	-	171,805	-
Public safety	1,932,752	-	-	-
Public works	976,461	-	-	-
Capital outlay	-	-	-	738,924
Debt service:				
Principal	-	425,000	-	159,200
Interest and fiscal agent fees	-	359,960	-	7,619
<b>Total Expenditures</b>	<b>4,384,869</b>	<b>784,960</b>	<b>171,805</b>	<b>905,743</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,326,253</b>	<b>(243,453)</b>	<b>841,284</b>	<b>(432,062)</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Issuance of long-term debt	-	-	4,000,000	-
Sale of capital assets	36,000	-	-	-
Transfers in	241,242	249,150	-	1,710,040
Transfers (out)	(977,783)	-	(4,142,436)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(700,541)</b>	<b>249,150</b>	<b>(142,436)</b>	<b>1,710,040</b>
<b>Net Change in Fund Balances</b>	<b>625,712</b>	<b>5,697</b>	<b>698,848</b>	<b>1,277,978</b>
Beginning fund balances	4,156,192	110,061	1,948,397	1,455,069
<b>Ending Fund Balances</b>	<b>\$ 4,781,904</b>	<b>\$ 115,758</b>	<b>\$ 2,647,245</b>	<b>\$ 2,733,047</b>

See Notes to Financial Statements.

	<b>Nonmajor Governmental Fund</b>	
<b>Capital Projects</b>	<b>TIRZ</b>	<b>Total Governmental Funds</b>
\$ -	\$ 458,634	\$ 1,991,749
-	-	4,107,336
-	-	178,833
-	-	189,509
-	-	642,346
-	-	373,744
-	-	586,852
66,811	9,200	142,491
-	-	61,184
<u>66,811</u>	<u>467,834</u>	<u>8,274,044</u>
-	6,872	1,654,333
-	-	1,932,752
-	-	976,461
3,707,133	-	4,446,057
-	-	584,200
-	-	367,579
<u>3,707,133</u>	<u>6,872</u>	<u>9,961,382</u>
<u>(3,640,322)</u>	<u>460,962</u>	<u>(1,687,338)</u>
-	-	4,000,000
-	-	36,000
4,000,000	-	6,200,432
<u>(173,705)</u>	<u>(272,082)</u>	<u>(5,566,006)</u>
<u>3,826,295</u>	<u>(272,082)</u>	<u>4,670,426</u>
185,973	188,880	2,983,088
8,738,015	1,154,018	17,561,752
<u>\$ 8,923,988</u>	<u>\$ 1,342,898</u>	<u>\$ 20,544,840</u>

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

Net changes in fund balances - total governmental funds \$ 2,983,088

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.

Capital outlay	4,199,917
Depreciation expense	(516,654)
Net disposal of capital assets	(13,827)

The issuance of long-term debt (e.g., bonds and certificates of obligation) 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 premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Net Position.

Issuance of certificates of obligation	(4,000,000)
Deferred charge on refunding	(3,741)
Principal payments	584,200
Premium	24,592
Change in accrued interest	(110,105)

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds. (5,610)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(6,768)
Change in deferred outflows - pensions	30,030
Change in deferred inflows - pensions	(312,453)
Change in deferred outflows - OPEB	(35,207)
Change in deferred inflows - OPEB	28,671
Change in net pension liability	570,121
Change in total OPEB liability	(3,303)

<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>3,412,951</u></b>
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See Notes to Financial Statements.

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# CITY OF OAK RIDGE NORTH, TEXAS

## STATEMENT OF NET POSITION PROPRIETARY FUND (Full Accrual)

September 30, 2022

	Water and Sewer
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,183,165
Restricted cash and cash equivalents	112,197
Receivables, net	141,302
Prepaid expenses	41,826
<b>Total Current Assets</b>	<b>1,478,490</b>
 <b>Noncurrent Assets</b>	
Capital assets:	
Nondepreciable	372,320
Depreciable capital assets	21,843,189
Accumulated depreciation	(10,407,365)
<b>Total Noncurrent Assets</b>	<b>11,808,144</b>
<b>Total Assets</b>	<b>13,286,634</b>
 <b><u>Deferred Outflows of Resources</u></b>	
Deferred outflows - pensions	44,484
 <b><u>Liabilities</u></b>	
<b>Current Liabilities</b>	
Accounts payable	88,285
Due to other funds	440,082
Payroll accrual	7,291
Customer deposits	112,197
Compensated absences	23,577
<b>Total Current Liabilities</b>	<b>671,432</b>
 <b>Noncurrent Liabilities</b>	
Net pension liability	15,099
Compensated absences	2,620
<b>Total Noncurrent Liabilities</b>	<b>17,719</b>
<b>Total Liabilities</b>	<b>689,151</b>
 <b><u>Deferred Inflows of Resources</u></b>	
Deferred inflows - pensions	99,352
 <b><u>Net Position</u></b>	
Net investment in capital assets	11,808,144
Unrestricted	734,471
<b>Total Net Position</b>	<b>\$ 12,542,615</b>

See Notes to Financial Statements.

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**CITY OF OAK RIDGE NORTH, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND (Full Accrual)**  
For the Year Ended September 30, 2022

	<u>Water and Sewer</u>
<b><u>Operating Revenues</u></b>	
Water and sewer charges	\$ 1,105,511
Other services	387,470
<b>Total Operating Revenues</b>	<u>1,492,981</u>
 <b><u>Operating Expenses</u></b>	
Salaries and benefits	413,379
Operating expenses	921,019
Depreciation	609,673
<b>Total Operating Expenses</b>	<u>1,944,071</u>
<b>Operating (Loss)</b>	<u>(451,090)</u>
 <b><u>Nonoperating Revenues (Expenses)</u></b>	
Investment income	9,777
<b>Total Nonoperating Revenues</b>	<u>9,777</u>
<b>(Loss) Before Contributions and Transfers</b>	(441,313)
 <b><u>Contributions and Transfers</u></b>	
Capital contribution	117,000
Transfers (out)	(634,426)
<b>Change in Net Position</b>	<u>(958,739)</u>
Beginning net position	<u>13,501,354</u>
<b>Ending Net Position</b>	<u><u>\$ 12,542,615</u></u>

See Notes to Financial Statements.

# CITY OF OAK RIDGE NORTH, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUND (Cash Basis) (Page 1 of 2)

For the Year Ended September 30, 2022

	<u>Water and Sewer</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from customers	\$ 1,375,226
Payments to suppliers	(469,759)
Payments to employees	(442,354)
<b>Net Cash Provided by Operating Activities</b>	<u>463,113</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Operating transfer (out)	(634,426)
<b>Net Cash (Used) by Noncapital Financing Activities</b>	<u>(634,426)</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest on investments	9,777
<b>Net Cash Provided by Investing Activities</b>	<u>9,777</u>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	(161,536)
Beginning cash and cash equivalents	<u>1,456,898</u>
<b>Ending Cash and Cash Equivalents</b>	<u>\$ 1,295,362</u>
<b>Ending Cash and Cash Equivalents</b>	
Unrestricted cash and cash equivalents	\$ 1,183,165
Restricted cash and cash equivalents	112,197
<b>Total Ending Cash and Cash Equivalents</b>	<u>\$ 1,295,362</u>

# CITY OF OAK RIDGE NORTH, TEXAS

## STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Cash Basis) (Page 2 of 2)

For the Year Ended September 30, 2022

	<u>Water and Sewer</u>
<b><u>Reconciliation of Operating Income (Loss)</u></b>	
<b><u>to Net Cash Provided (Used) by Operating Activities</u></b>	
Operating (loss)	\$ (451,090)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	609,673
<b>Changes in Operating Assets and Liabilities:</b>	
<b>(Increase) in:</b>	
Accounts receivable	(22,558)
Prepaid expenses	(7,460)
Deferred outflows - pensions	(4,395)
<b>Increase (Decrease) in:</b>	
Accounts payable	18,638
Due to other funds	440,082
Payroll accrual	7,291
Customer deposits	(95,197)
Deferred inflows - pensions	45,731
Net pension liability	(83,443)
Compensated absences	5,841
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 463,113</u></b>
 Noncash investing, capital, and financing activities:	
Contributions of capital assets from governmental funds	<u>\$ 117,000</u>

See Notes to Financial Statements.

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# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2022

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The Town of Oak Ridge North, Texas was incorporated in 1979 and changed to the City of Oak Ridge North, Texas (the “City”) in February 1980. The City has operated as a general law city under state statutes with a Council-Manager form of government.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the City Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety to include police protection and municipal court, public works to include streets and drainage, water and sewer services, and general administration.

The City is an independent political subdivision of the State of Texas (the “State”) governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The component units as listed below, although legally separate, are considered part of the reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

#### **Blended Component Units**

##### **Oak Ridge North Economic Development Corporation**

The Oak Ridge North Economic Development Corporation (EDC) is a nonprofit corporation organized under The Development Corporation Act (the “Act”) of 1979 and covered by Section 4B of the Act. The EDC was organized exclusively for the purposes of benefiting and accomplishing public purposes of, and to act on behalf of, the City for the promotion and development of commercial, industrial, and manufacturing enterprises to promote and encourage employment and the public welfare. The EDC is governed by a board of directors appointed by the City Council. The

# **CITY OF OAK RIDGE NORTH, TEXAS**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended September 30, 2022**

EDC is responsible for managing one-half cent sales tax revenues for its economic development activities on behalf of the City. The EDC's budget requires approval from City Council.

### **The Village of Oak Ridge Grove Public Improvement District**

Following a public hearing on August 25, 2003, the City Council created the Village of Oak Ridge Grove Public Improvement District (PID) in accordance with Chapter 372 of the Local Government Code. The PID was created to provide a method of financing certain public improvements to land in the PID, the costs of which would be paid by owners of real property located in the PID. Public improvements included creation costs of the PID, as well as construction of public streets. These public improvements were funded from developer revenues before construction began. The developer will be repaid in annual installments over a ten-year period through assessments to the homeowners in the PID, the timing of which begins after the construction of the homes. There was no beginning fund balance or activity for the PID during the fiscal year and therefore not reported in the basic financial statements.

### **Tax Increment Reinvestment Zone**

During fiscal year 2015, the City passed an ordinance creating a tax increment reinvestment zone (TIRZ) in accordance with Section 311 of the Texas Tax Code. This entity was created to provide the financing and management tool needed to facilitate development of commercial and residential sites. The TIRZ is managed by a seven-member board of directors, of which the City Council appoints five members and the remaining two members are appointed by Montgomery County, Texas. Under this arrangement, increases in property taxes will be utilized to pay for certain infrastructure costs. As the developer of the commercial and residential sites completes infrastructure improvements within the TIRZ, the City takes title to the infrastructure and is responsible for reimbursing the developer for the infrastructure costs.

The component units identified above are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City Council functions as the organizations' boards and is either able to impose its will on them or a financial benefit/burden exists. Separate financial statements of the EDC, PID, and TIRZ are not prepared.

## **B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

## **C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts



# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

are reasonably equivalent in value to the interfund services provided and other charges between the City's water functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### D. Basis of Presentation – Fund Financial Statements

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

The City reports the following governmental funds:

The *general fund* is the City's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, and public works. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on all long-term debt of the City. The primary source of revenue for debt service is local property taxes. Although the debt service fund is considered a nonmajor fund, the City has elected to report the debt service fund as a major fund for reporting purposes.

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The special revenue funds include the Oak Ridge North EDC (blended component unit) and the TIRZ (blended component unit) funds. The EDC fund is considered a major fund for reporting purposes. The TIRZ fund is considered a nonmajor fund for reporting purposes.

The *capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition of capital facilities and other capital assets. The capital improvements and capital projects funds are considered major fund for reporting purposes.

The City reports the following enterprise fund:

The *enterprise fund* is used to account for and report the operations that provide water and wastewater collection and wastewater treatment operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water and sewer fund is considered a major fund for reporting purposes.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

### E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

### F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

#### 1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

#### 2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pool operates in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Money market mutual funds that meet certain criteria
- Statewide investment pools

#### 3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

#### 4. Leases

The City is a lessor for a noncancellable lease of five node locations to Crown Castle NG Network LLC. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

### 5. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the enterprise fund are restricted by bond covenants for repayment of debt and to finance construction projects.

### 6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	15 years
Furniture, fixtures, and equipment	5 to 15 years
Water and sewer system	15 to 50 years
Infrastructure	15 to 50 years

### 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not*

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

be recognized as an outflow of resources (expense/expenditure) until then. 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.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- A deferred inflows related to lease receivables is reported on the statement of net position and is amortized over the life of the lease receivable agreement.

At the fund level, the City has only two types of items, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and from leases related to lease receivables. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

### 8. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits, and compensatory time. Accumulated amounts, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

### 9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, if material. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported

# **CITY OF OAK RIDGE NORTH, TEXAS**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended September 30, 2022**

as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of other financing agreements are recorded as a note payable and capitalized in the government-wide financial statements at the present value of net minimum note payments at inception of the agreement. In the year of acquisition, other financing agreement transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Note payments representing both principal and interest are recorded as expenditures in the governmental funds upon payment with an appropriate reduction of principal recorded in the government-wide financial statements. The capital assets acquired through the note payable transfers to the City when all of the note payable payments are paid.

### **10. Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

### **11. Fund Balance Flow Assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### **12. Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

# **CITY OF OAK RIDGE NORTH, TEXAS**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended September 30, 2022**

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### **13. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### **14. Pensions**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **15. Other Postemployment Benefits**

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

### G. Revenues and Expenditures/Expenses

#### 1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

#### 2. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

#### 3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined in the approved budget is the department level in the general fund. For all other fund budgets, the legal level of control is at the fund level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2022.



# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

As of September 30, 2022, the City had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
TexPool	\$ 21,254,426	0.07
<b>Total</b>	<b>\$ 21,254,426</b>	
Portfolio weighted average maturity		0.07

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized. As of September 30, 2022, checking and time deposits were entirely insured or collateralized with securities as provided by state laws and regulations and FDIC insurance.

*Credit risk.* The City’s policy requires that investment pools must be rated no lower than ‘AAA’ or ‘AAA-m’. Bankers’ acceptances must be issued in the United States and carry a rating of ‘A1’/‘P1’ as provided by two of the top nationally recognized rating agencies. As of September 30, 2022, the City’s investments in TexPool were rated ‘AAAm’ by Standard & Poor’s. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing United States agency.

*Custodial credit risk – investments.* For an investment, this is the risk that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The City’s investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

*Interest rate risk –* In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invests operating funds primarily in short-term securities.

#### TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s rates TexPool ‘AAAm’. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review.

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

### B. Receivables

The following comprise receivable balances as of September 30, 2022:

			<b>Oak Ridge North Economic Development Corporation</b>	<b>Water and Sewer</b>
	<b>General</b>	<b>Debt Service</b>		
Property taxes	\$ 32,169	\$ 21,944	\$ -	\$ -
Other taxes - sales tax	613,102	-	204,367	-
Accounts	24,851	-	-	141,839
Other	21,449	-	-	-
Less allowance	(1,608)	(1,097)	-	(537)
<b>Total Receivables</b>	<b>\$ 689,963</b>	<b>\$ 20,847</b>	<b>\$ 204,367</b>	<b>\$ 141,302</b>

### C. Lease Receivable

The City leases five node locations to Crown Castle NG Network LLC. The remaining lease term at the beginning of the fiscal year was for five years, and the City will receive annual payments of \$8,641. The City recognized \$8,115 in lease revenue during the current fiscal year related to this lease. As of September 30, 2022, the City's receivable for lease payments was \$31,934. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2022, the balance of the deferred inflow of resources was \$32,460.

**CITY OF OAK RIDGE NORTH, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

**D. Capital Assets**

A summary of changes in capital assets for the year end is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>(Decreases)/ Reclassifications</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,189,239	\$ -	\$ -	\$ 2,189,239
Construction in progress	1,332,235	3,980,275	-	5,312,510
<b>Total Capital Assets Not Being Depreciated</b>	3,521,474	3,980,275	-	7,501,749
Other capital assets:				
Buildings and improvements	7,097,518	-	-	7,097,518
Vehicles, furniture, fixtures, and equipment	2,039,096	217,142	(517,210)	1,739,028
Infrastructure	3,403,289	2,500	-	3,405,789
<b>Total Other Capital Assets</b>	12,539,903	219,642	(517,210)	12,242,335
Less accumulated depreciation for:				
Buildings and improvements	(4,912,596)	(276,114)	-	(5,188,710)
Vehicles, furniture, fixtures, and equipment	(1,464,053)	(172,424)	503,383	(1,133,094)
Infrastructure	(1,169,972)	(68,116)	-	(1,238,088)
<b>Total Accumulated Depreciation</b>	(7,546,621)	(516,654)	503,383	(7,559,892)
Other capital assets, net	4,993,282	(297,012)	(13,827)	4,682,443
<b>Governmental Activities Capital Assets, Net</b>	\$ 8,514,756	\$ 3,683,263	\$ (13,827)	12,184,192
			Plus unspent bond proceeds	8,923,988
			Less associated debt	(14,388,440)
			<b>Net Investment in Capital Assets</b>	<b>\$ 6,719,740</b>

All capital assets constructed or paid for with funds of the component units are titled in the City's name. Accordingly, component unit capital assets and construction in progress are recorded in the governmental activities totals.

Depreciation was charged to governmental functions as follows:

General government	\$ 82,997
Public safety	148,322
Public works	285,335
	\$ 516,654

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

The following is a summary of changes in capital assets for business-type activities:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>(Decreases)/ Reclassifications</b>	<b>Ending Balance</b>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 372,320	\$ -	\$ -	\$ 372,320
<b>Total Capital Assets Not Being Depreciated</b>	<b>372,320</b>	<b>-</b>	<b>-</b>	<b>372,320</b>
Other capital assets:				
Buildings and improvements	4,752,002	-	-	4,752,002
Vehicles, furniture, fixtures, and equipment	1,121,219	-	(59,537)	1,061,682
Infrastructure	15,912,505	117,000	-	16,029,505
<b>Total Other Capital Assets</b>	<b>21,785,726</b>	<b>117,000</b>	<b>(59,537)</b>	<b>21,843,189</b>
Less accumulated depreciation for:				
Buildings and improvements	(3,355,414)	(257,503)	-	(3,612,917)
Vehicles, furniture, fixtures, and equipment	(1,010,427)	(33,335)	59,537	(984,225)
Infrastructure	(5,491,388)	(318,835)	-	(5,810,223)
<b>Total Accumulated Depreciation</b>	<b>(9,857,229)</b>	<b>(609,673)</b>	<b>59,537</b>	<b>(10,407,365)</b>
Other capital assets, net	11,928,497	(492,673)	-	11,435,824
<b>*Business-Type Activities Capital Assets, Net</b>	<b>\$ 12,300,817</b>	<b>\$ (492,673)</b>	<b>\$ -</b>	<b>11,808,144</b>
				Less: associated debt from reconciliation
				(3,259,888)
				<b>Net Investment in Capital Assets</b>
				<b>\$ 8,548,256</b>

\* Represents business-type activities net investment in capital assets after reconciliation of governmental activities long-term debt that is associated with business-type activities capital assets.

Depreciation was charged to business-type functions as follows:

Water and sewer system	\$ 609,673
<b>Total Business-Type Activities Depreciation Expense</b>	<b>\$ 609,673</b>

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

### E. Long-Term Liabilities

The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the general and debt service funds to liquidate governmental long-term debt. Long-term liabilities such as compensated absences and net pension and total OPEB liabilities are recorded in the governmental and business-type activities.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
Public Debt:					
Certificates of obligation:					
Series 2012	\$ 1,600,000	\$ -	\$ 200,000	\$ 1,400,000 *	\$ 200,000
Series 2020	8,305,000	-	-	8,305,000 *	200,000
Direct Borrowing/Placements:					
Certificate of obligation:					
Series 2009	200,000	-	200,000	-	-
General obligation bonds:					
Series 2019 - Refunding	3,240,000	-	25,000	3,215,000 **	235,000
Loan	-	4,000,000	-	4,000,000 *	145,249
Notes Payable	178,559	-	159,200	19,359 *	19,359
Deferred amounts:					
Premium	688,673	-	24,592	664,081 *	-
	<u>14,212,232</u>	<u>4,000,000</u>	<u>608,792</u>	<u>17,603,440</u>	<u>799,608</u>
Other liabilities:					
Net pension liability	689,804	-	570,121	119,683	-
Total OPEB liability	134,248	3,303	-	137,551	-
Compensated absences	157,263	146,652	139,884	164,031	147,628
<b>Total Governmental Activities</b>	<b>\$ 15,193,547</b>	<b>\$ 4,149,955</b>	<b>\$ 1,318,797</b>	<b>\$ 18,024,705</b>	<b>\$ 947,236</b>
				<b>\$ 17,077,469</b>	
				<b>\$ 14,388,440</b>	
				<b>\$ 3,215,000</b>	
				<b>44,888</b>	
				<b>\$ 3,259,888</b>	
<b>Business-Type Activities:</b>					
Net pension liability	\$ 98,542	\$ -	\$ 83,443	\$ 15,099	\$ -
Compensated absences	20,356	21,645	15,804	26,197	23,577
<b>Total Business-Type Activities</b>	<b>\$ 118,898</b>	<b>\$ 21,645</b>	<b>\$ 99,247</b>	<b>\$ 41,296</b>	<b>\$ 23,577</b>
				<b>\$ 17,719</b>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities' compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

The direct borrowing/placements were reflected in the debt service long-term debt and current requirements for principal and interest expenditures are accounted for in the debt service fund. The interest expense for the direct borrowing/placements was \$88,434 for the year ended September 30, 2022.

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
<b>Public Debt</b>		
Certificate of obligation:		
Series 2012	1.00 - 2.00%	\$ 1,400,000
Series 2020	3.00%	8,305,000
	<b>Total Public Debt</b>	9,705,000
 <b>Direct Borrowing/Placements</b>		
General obligation bonds:		
Series 2019 - refunding	2.40%	3,215,000
Loan	3.24%	4,000,000
Notes Payable	1.51%	19,359
	<b>Total Direct Borrowing/Placements</b>	7,234,359
<b>Total Governmental Activities Long-Term Debt</b>		<b>\$ 16,939,359</b>

In November 2021, the Oak Ridge North EDC entered into a Sales Tax Loan Agreement (the "Loan") with Government Capital Corporation in the amount of \$4,000,000. The proceeds will be used for the costs to relocate the City's public works facility, costs of improvements to the City's parks, and the cost of issuing the Loan. The Loan has an interest rate of 3.241 percent and matures on November 24, 2041. The principal and interest debt service payments for the Loan are funded by the Oak Ridge North EDC fund. At the end of the fiscal year 2022, the Oak Ridge North EDC fund had restricted funds of \$276,806 for the Loan's debt service payments. The annual requirements to amortize the loan at year end were as follows:

Fiscal Year Ended Sept. 30	EDC		
	Loan		
	Principal	Interest	Total
2023	\$ 145,249	\$ 129,640	\$ 274,889
2024	149,957	124,932	274,889
2025	154,817	120,072	274,889
2026	159,834	115,055	274,889
2027	165,015	109,875	274,889
2028-2032	908,847	465,599	1,374,446
2033-2037	1,065,986	308,459	1,374,446
2038-2041	1,250,296	124,150	1,374,446
<b>Total</b>	<b>\$ 4,000,000</b>	<b>\$ 1,497,782</b>	<b>\$ 5,497,782</b>

Certificates of obligation are direct obligations of the City for which its full faith and credit are pledged. Repayment of certificates for governmental activities is from taxes levied on all taxable

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

property located within the City. The annual requirements to amortize certificates of obligation at year end were as follows:

Fiscal Year Ended Sept. 30	Governmental Activities		
	Certificates of Obligation Series 2012		
	Principal	Interest	Total
2023	\$ 200,000	\$ 26,000	\$ 226,000
2024	225,000	21,750	246,750
2025	225,000	17,250	242,250
2026	225,000	12,750	237,750
2027	250,000	8,000	258,000
2028	275,000	2,750	277,750
<b>Total</b>	<b>\$ 1,400,000</b>	<b>\$ 88,500</b>	<b>\$ 1,488,500</b>

Fiscal Year Ended Sept. 30	Governmental Activities		
	Certificates of Obligation Series 2020		
	Principal	Interest	Total
2023	\$ 200,000	\$ 246,150	\$ 446,150
2024	205,000	240,075	445,075
2025	215,000	233,775	448,775
2026	220,000	227,250	447,250
2027	225,000	220,575	445,575
2028-2032	1,250,000	994,650	2,244,650
2033-2037	1,455,000	792,075	2,247,075
2038-2042	1,700,000	555,750	2,255,750
2043-2047	1,965,000	281,325	2,246,325
2048-2049	870,000	26,250	896,250
<b>Total</b>	<b>\$ 8,305,000</b>	<b>\$ 3,817,875</b>	<b>\$ 12,122,875</b>

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt. The annual requirements to amortize general obligation at year end were as follows:

Fiscal Year Ended Sept. 30	Governmental Activities		
	General Obligation Refunding Series 2019		
	Principal	Interest	Total
2023	\$ 235,000	\$ 74,340	\$ 309,340
2024	240,000	68,640	308,640
2025	245,000	62,820	307,820
2026	255,000	56,820	311,820
2027	260,000	50,640	310,640
2028-2032	1,385,000	155,820	1,540,820
2033-2034	595,000	14,340	609,340
<b>Total</b>	<b>\$ 3,215,000</b>	<b>\$ 483,420</b>	<b>\$ 3,698,420</b>

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

Other financing agreements included notes payable for the purchase of police radios with the total principal and interest payments as follows:

Fiscal Year Ended Sept. 30	Governmental Activities		
	Notes Payable		
	Principal	Interest	Total
2023	\$ 19,359	\$ 291	\$ 19,650
<b>Total</b>	<b>\$ 19,359</b>	<b>\$ 291</b>	<b>\$ 19,650</b>

### Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

### F. Interfund Transactions

Amounts recorded as “due to/from” are considered to be temporary loans and will be repaid during the following year.

Receivable Fund	Payable Fund	Amounts
General	EDC	\$ 29,490
General	Debt service	6,622
General	Capital projects	75,982
General	TIRZ	3,383
Capital improvements	General	977,783
Capital improvements	EDC	15,689
Capital improvements	Water/sewer	440,082
	<b>Total</b>	<b>\$ 1,549,031</b>

Amounts recorded as due to/from are considered to be temporary loans and will generally be repaid in less than one year.



**CITY OF OAK RIDGE NORTH, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

The composition of transfers between funds is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amounts</u>
General fund	Water and sewer fund	\$ 91,563
General fund	TIRZ fund	22,932
General fund	EDC fund	126,747
Debt Service	TIRZ fund	249,150
Capital improvements fund	EDC fund	15,689
Capital improvements fund	General fund	977,783
Capital improvements fund	Water and sewer fund	542,863
Capital improvements fund	Capital projects fund	173,705
Capital projects fund	EDC fund	4,000,000
	<b>Total</b>	<u><u>\$ 6,200,432</u></u>

Transfers are utilized to move revenue from other funds to help fund expenditures in the general fund and capital improvements and projects funds that must be accounted for in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs and governmental expenditures.

**G. Fund Equity**

Funds restricted by enabling legislation are \$56,668, \$30,738, and \$3,472 related to court security, court technology, and seizure funds, respectively.

**H. Restricted Assets**

The balances of the restricted cash recognized by the City are as follows:

	<u>General</u>	<u>Water and Sewer</u>
Restricted for customer deposits	\$ 30,700	\$ 112,197
<b>Total Restricted Cash and Cash Equivalents</b>	<u><u>\$ 30,700</u></u>	<u><u>\$ 112,197</u></u>

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

### IV. OTHER INFORMATION

#### A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 entities in the Texas Municipal League's Intergovernmental Risk Pool (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

#### B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

#### C. Pension Plan

##### Texas Municipal Retirement System

##### Plan Description

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the "Board"); however, TMRS does not receive any funding from the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at [tmrs.com](http://tmrs.com).

All eligible employees of the City 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 City, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits, with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly payment options.

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2022	2021
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

### Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to, but not yet, receiving benefits	30
Active employees	40
<b>Total</b>	<b>85</b>

### Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching ratios are either 1:1 (1 to 1), 1.5:1 (1½ to 1), or 2:1 (2 to 1), both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.56 percent and 11.81 percent in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2022 were \$312,339 and were equal to the required contributions.

### Net Pension Liability

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

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

### Actuarial Assumptions

The TPL in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are 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 active members, 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 are 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 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.

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. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global public equity	35.00%	7.55%
Core fixed income	6.00%	2.00%
Non-core fixed income	20.00%	5.68%
Other public and private markets	12.00%	7.22%
Real estate	12.00%	6.85%
Hedge funds	5.00%	5.35%
Private equity	10.00%	10.00%
<b>Total</b>	<b>100.00%</b>	

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

### Discount Rate

The discount rate used to measure the TPL was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the TMRS fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

### Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(A)	(B)	(A) - (B)
Changes for the year:			
Service cost	\$ 406,778	\$ -	\$ 406,778
Interest	817,184	-	817,184
Difference between expected and actual experienc	65,947	-	65,947
Changes of assumptions	-	-	-
Contributions - employer	-	295,189	(295,189)
Contributions - employee	-	178,748	(178,748)
Net investment income	-	1,476,313	(1,476,313)
Benefit payments, including refunds of employee contributions	(393,625)	(393,625)	-
Administrative expense	-	(6,823)	6,823
Other changes	-	46	(46)
<b>Net Changes</b>	896,284	1,549,848	(653,564)
Balance at December 31, 2020	12,099,854	11,311,508	788,346
<b>Balance at December 31, 2021</b>	\$ 12,996,138	\$ 12,861,356	\$ 134,782

### Sensitivity of the NPL to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 2,046,452	\$ 134,782	\$ (1,428,350)

### Pension Plan Fiduciary Net Position

Detailed information about the TMRS fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

### Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2022, the City recognized pension income of \$17,466.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 100,482	\$ 41,179
Changes in actuarial assumptions	6,004	-
Difference between projected and actual investment earnings	-	758,997
Contributions subsequent to the measurement date	241,950	-
<b>Total</b>	<b>\$ 348,436</b>	<b>\$ 800,176</b>

\$241,950 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ended September 30</b>	<b>Pension Expense</b>
2023	\$ (127,211)
2024	(278,536)
2025	(145,389)
2026	(142,554)
<b>Total</b>	<b>\$ (693,690)</b>

#### **D. Other Postemployment Benefits**

##### **TMRS Supplemental Death Benefit**

###### Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. 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* (GASB 75).

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

### Benefits

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 OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2021 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to, but not yet receiving, benefits	5
Active employees	40
<b>Total</b>	<b>56</b>

### Total OPEB Liability

The City's total OPEB liability of \$137,551 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

### Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	1.84%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3.0% 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, 2021.

**CITY OF OAK RIDGE NORTH, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

		<b>Increase (Decrease)</b>	
			<b>Total OPEB Liability</b>
Changes for the year:			
Service cost	\$	8,171	
Interest		2,749	
Change of benefit terms		-	
Difference between expected and actual experience		(9,952)	
Changes of assumptions		4,122	
Benefit payments*		(1,787)	
<b>Net Changes</b>		3,303	
Balance at December 31, 2020		134,248	
<b>Balance at December 31, 2021</b>	<b>\$</b>	<b>137,551</b>	

\* Benefit payments are treated as being equal to the employer's yearly contribution for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

The discount rate decreased from 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	<b>1% Decrease (0.84%)</b>	<b>Discount Rate (1.84%)</b>	<b>1% Increase (2.84%)</b>
City's Total OPEB Liability	\$ 167,186	\$ 137,551	\$ 114,051



# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

### OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of \$12,106. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 87,323	\$ 129,898
Changes in actuarial assumptions	26,055	2,429
Contributions subsequent to the measurement date	1,844	-
<b>Total</b>	<b>\$ 115,222</b>	<b>\$ 132,327</b>

\$1,844 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2023. Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Fiscal Year Ended September 30</b>	<b>OPEB Expense</b>
2023	\$ 1,186
2024	882
2025	(9,591)
2026	(10,530)
2027	(883)
Thereafter	(10)
<b>Total</b>	<b>\$ (18,946)</b>

### **E. Tax Abatements**

Chapter 380 of the Texas Local Government Code, *Miscellaneous Provisions Relating to Municipal Planning and Development*, provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs to promote state or local economic development and to stimulate business and commercial activity in the municipality. Section 505.158 of the Texas Local Government Code allows economic development corporations to participate in projects relating to business development in certain small municipalities that promote new and expanded development. The City established an economic development program with Resolution 2012-31 authorizing the City and the EDC to make grants of public money for the development and diversification of the City’s economy, reducing unemployment or underemployment, stimulating business and commercial activity, and developing or expanding transportation and commerce in the form of reimbursement grants and tax sharing/rebate performance incentives.

#### SkyGroup Investments, LLC

The City and the EDC have entered into a Chapter 380 Economic Development Agreement, Performance and Reimbursement Agreement (the “Agreement”) with SkyGroup Investments, LLC (the “Developer”) as authorized by Chapter 380 of the Texas Local Government Code, Section 505.158 of the Texas Local Government Code, and Resolution 2012-31. Under the Agreement, the Developer must meet certain commercial/retail development and/or employment requirements in

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

order to have a portion of their taxes rebated in the form of reimbursement grants. The Agreement provides for recapture in the event of material breach. The Agreement shall terminate upon the Developer receiving the final marketing reimbursement grant from hotel occupancy tax (HOT) revenue as contemplated under this Agreement in fiscal year 2025.

The EDC has agreed to a fee reimbursement grant in which the EDC would reimburse the Developer 100% of the permit and inspection fees for the improvement of property and construction of the project up to a maximum of \$60,000. The EDC has also agreed to pay the Developer a qualified infrastructure grant in the total amount of up to \$150,000 for any costs associated with the installation or improvement of project infrastructure, which will be paid in installments in amounts determined by the EDC.

The City and EDC have agreed to pay the Developer a sales tax rebate up to a maximum of \$60,000, payable between fiscal years 2015 to 2022. The sales tax rebate schedule ranges from between 30% and 100% of the 1% sales tax generated at the property by the project.

The City has agreed to pay the Developer a marketing reimbursement grant from HOT revenues of a total amount up to \$150,000. The marketing reimbursement grant schedule will run from fiscal year 2015 through 2025. The reimbursement schedule will be 5% of HOT revenue, not to exceed \$20,000, from fiscal year 2015 through 2020 and 3% of HOT revenue, not to exceed \$12,000, from fiscal year 2021 through 2025.

For the year ended September 30, 2022, there was no expenditures recognized by the EDC related to the Agreement.

### **F. Interlocal Agreement**

The City entered into an interlocal agreement (the "Agreement") with Montgomery County (the "County") to fund projects located within the TIRZ. The County's participation is predicated upon the need for roadway infrastructure within the extraterritorial jurisdiction located within the City's TIRZ. The City acknowledged that the County would not participate unless the County's tax increment participation was used for eligible road projects over the term of the Agreement and, as a result, the TIRZ will expend at least the amount of the County's tax increment contributed to the TIRZ on eligible road projects during the term of the Agreement. The County has agreed to contribute 75% of all real property tax collected by the County on the maintenance and operation portion of its tax rate on the tax increment portion of properties within the TIRZ. The term of the Agreement runs through tax year 2045 but includes an early termination option at September 30, 2030 that either party may exercise based upon conditions outlined in the Agreement. Upon termination of the TIRZ, if all public improvements in the project plan have been constructed and financed and if all TIRZ debt is paid in full, the City and TIRZ shall pay the County all monies remaining attributable to the County's contributions.

***REQUIRED SUPPLEMENTARY INFORMATION***

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**CITY OF OAK RIDGE NORTH, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND (Modified Accrual)**  
**For the Year Ended September 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget Amounts	Final Budget Amounts		
<b>Revenues</b>				
Taxes:				
Ad valorem	\$ 992,352	\$ 992,352	\$ 994,022	\$ 1,670
Sales	2,242,437	2,242,437	3,112,521	870,084
Franchise fees	172,500	172,500	178,833	6,333
Permits, licenses, and fees	164,400	164,400	189,509	25,109
Fines and forfeitures	604,358	622,058	642,346	20,288
Charges for services	369,630	369,630	373,744	4,114
Intergovernmental	-	-	119,349	119,349
Investment earnings	5,000	5,000	39,614	34,614
Other revenues	5,050	5,050	61,184	56,134
<b>Total Revenues</b>	<u>4,555,727</u>	<u>4,573,427</u>	<u>5,711,122</u>	<u>1,137,695</u>
<b>Expenditures</b>				
Current:				
General government:				
Administration	1,017,388	1,017,388	916,552	100,836
Building and permits	305,153	305,153	305,114	39
Municipal court	236,449	254,149	253,990	159
Total general government	<u>1,558,990</u>	<u>1,576,690</u>	<u>1,475,656</u>	<u>101,034</u>
Public safety	<u>1,932,206</u>	<u>1,942,206</u>	<u>1,932,752</u>	<u>9,454</u>
Public works:				
Public works	586,676	605,776	596,575	9,201
Parks and recreation	256,983	256,983	249,375	7,608
Maintenance	127,210	132,210	130,511	1,699
Total public works	<u>970,869</u>	<u>994,969</u>	<u>976,461</u>	<u>18,508</u>
<b>Total Expenditures</b>	<u>4,462,065</u>	<u>4,513,865</u>	<u>4,384,869</u>	<u>128,996</u>
<b>Excess of Revenues Over Expenditures</b>	<u>93,662</u>	<u>59,562</u>	<u>1,326,253</u>	<u>1,266,691</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	251,338	251,338	241,242	(10,096)
Transfers (out)	(345,000)	(977,783)	(977,783)	-
Sale of capital assets	-	-	36,000	36,000
<b>Total Other Financing (Uses)</b>	<u>(93,662)</u>	<u>(726,445)</u>	<u>(700,541)</u>	<u>25,904</u>
<b>Net Change in Fund Balance (Budgetary Basis)</b>	<u>\$ -</u>	<u>\$ (666,883)</u>	<u>625,712</u>	<u>\$ 1,292,595</u>
Beginning fund balance			<u>4,156,192</u>	
		<b>Ending Fund Balance</b>	<u>\$ 4,781,904</u>	

**Notes to Required Supplementary Information:**

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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**CITY OF OAK RIDGE NORTH, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**OAK RIDGE NORTH ECONOMIC DEVELOPMENT CORPORATION FUND (Modified Accrual)**  
**For the Year Ended September 30, 2022**

	<b>Original Budget Amounts</b>	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Taxes:				
Sales	\$ 725,812	\$ 725,812	\$ 994,815	\$ 269,003
Intergovernmental	3,000	3,000	3,715	715
Investment earnings	15,000	15,000	14,559	(441)
<b>Total Revenues</b>	<b>743,812</b>	<b>743,812</b>	<b>1,013,089</b>	<b>269,277</b>
<b><u>Expenditures</u></b>				
Current:				
Economic development	407,063	407,063	171,805	235,258
<b>Total Expenditures</b>	<b>407,063</b>	<b>407,063</b>	<b>171,805</b>	<b>235,258</b>
<b>Excess of Revenues Over Expenditures</b>	<b>336,749</b>	<b>336,749</b>	<b>841,284</b>	<b>504,535</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Issuance of long-term debt	4,000,000	4,000,000	4,000,000	-
Transfers (out)	(4,142,436)	(4,142,436)	(4,142,436)	-
<b>Total Other Financing (Uses)</b>	<b>(4,142,436)</b>	<b>(4,142,436)</b>	<b>(142,436)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ (3,805,687)</b>	<b>\$ (3,805,687)</b>	<b>698,848</b>	<b>\$ 504,535</b>
Beginning fund balance			1,948,397	
<b>Ending Fund Balance</b>			<b>\$ 2,647,245</b>	

**Notes to Required Supplementary Information:**

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**CITY OF OAK RIDGE NORTH, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**For the Year Ended September 30, 2022**

	Measurement Year*			
	2021	2020	2019	2018
<b>Total Pension Liability</b>				
Service cost	\$ 406,778	\$ 403,643	\$ 401,890	\$ 436,373
Interest (on the total pension liability)	817,184	756,659	713,225	680,702
Difference between expected and actual experience	65,947	104,746	(81,990)	(173,465)
Change of assumptions	-	-	21,145	-
Benefit payments, including refunds of employee contributions	(393,625)	(346,273)	(477,091)	(411,989)
<b>Net Change in Total Pension Liability</b>	<b>896,284</b>	<b>918,775</b>	<b>577,179</b>	<b>531,621</b>
Beginning total pension liability	12,099,854	11,181,079	1,063,900	10,072,279
<b>Ending Total Pension Liability</b>	<b>\$ 12,996,138</b>	<b>\$ 12,099,854</b>	<b>\$ 11,181,079</b>	<b>\$ 10,603,900</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 295,189	\$ 288,496	\$ 299,579	\$ 322,795
Contributions - employee	178,748	177,147	177,491	190,200
Net investment income	1,476,313	790,721	1,396,698	(275,987)
Benefit payments, including refunds of employee contributions	(393,625)	(346,273)	(477,091)	(411,989)
Administrative expense	(6,823)	(5,111)	(7,878)	(5,325)
Other	46	(199)	(236)	(279)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,549,848</b>	<b>904,781</b>	<b>1,388,563</b>	<b>(180,585)</b>
Beginning plan fiduciary net position	11,311,508	10,406,727	9,018,164	9,198,749
<b>Ending Plan Fiduciary Net Position</b>	<b>\$ 12,861,356</b>	<b>\$ 11,311,508</b>	<b>\$ 10,406,727</b>	<b>\$ 9,018,164</b>
<b>Net Pension Liability</b>	<b>\$ 134,782</b>	<b>\$ 788,346</b>	<b>\$ 774,352</b>	<b>\$ 1,585,736</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	98.96%	93.48%	93.07%	85.05%
<b>Covered Payroll</b>	\$ 2,553,537	\$ 2,530,676	\$ 2,535,582	\$ 2,717,141
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	5.28%	31.15%	30.54%	58.36%

\*Only eight years of information is currently available. The City will build this schedule over the next two-year period.



Measurement Year*			
2017	2016	2015	2014
\$ 424,878	\$ 431,152	\$ 404,407	\$ 354,499
637,970	586,001	546,381	489,800
(173,953)	(128,321)	(28,486)	30,722
-	-	39,115	-
(111,174)	(120,393)	(77,072)	(106,293)
777,721	768,439	884,345	768,728
9,294,558	8,526,119	7,641,774	6,873,046
<u>\$ 10,072,279</u>	<u>\$ 9,294,558</u>	<u>\$ 8,526,119</u>	<u>\$ 7,641,774</u>
\$ 324,933	\$ 315,890	\$ 320,306	\$ 322,231
187,171	188,511	181,698	177,468
1,072,706	465,876	9,532	328,471
(111,174)	(120,393)	(77,072)	(106,293)
(5,553)	(5,256)	(5,804)	(3,428)
(281)	(283)	(287)	(282)
1,467,802	844,345	428,373	718,167
7,730,947	6,886,602	6,458,229	5,740,062
<u>\$ 9,198,749</u>	<u>\$ 7,730,947</u>	<u>\$ 6,886,602</u>	<u>\$ 6,458,229</u>
<u>\$ 873,530</u>	<u>\$ 1,563,611</u>	<u>\$ 1,639,517</u>	<u>\$ 1,183,545</u>
91.33%	83.18%	80.77%	84.51%
\$ 2,673,873	\$ 2,693,017	\$ 2,595,681	\$ 2,535,250
32.67%	58.06%	63.16%	46.68%

# CITY OF OAK RIDGE NORTH, TEXAS

## SCHEDULE OF CONTRIBUTIONS

### TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2022

	Fiscal Year*			
	2022	2021	2020	2019
Actuarially determined contribution	\$ 312,339	\$ 302,881	\$ 288,591	\$ 306,655
Contributions in relation to the actuarially determined contribution	312,339	302,881	288,591	306,655
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,657,591	\$ 2,629,563	2,508,514	2,590,430
Contributions as a percentage of covered payroll	11.75%	11.52%	11.50%	11.84%

\* Only nine years of information is currently available. The City will build this schedule over the next one-year period.

#### Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	10 year smoothed market; 12.00% 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 December 31, 2014 - December 31, 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.

3. Other Information:

There were no benefit changes during the year.

<b>Fiscal Year*</b>				
<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 325,319	\$ 324,915	\$ 318,469	\$ 318,469	\$ 300,004
<u>325,319</u>	<u>324,915</u>	<u>318,469</u>	<u>318,469</u>	<u>300,004</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
2,721,672	\$ 2,698,382	\$ 2,560,178	\$ 2,560,178	\$ 2,379,620
11.95%	12.04%	12.44%	12.44%	12.61%

**CITY OF OAK RIDGE NORTH, TEXAS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**For the Year Ended September 30, 2022**

	Measurement Year*			
	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	\$ 8,171	\$ 6,327	\$ 4,564	\$ 5,706
Interest (on the total OPEB liability)	2,749	3,169	11,357	2,896
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(9,952)	(3,678)	(225,513)	217,175
Change of assumptions	4,122	16,737	18,449	(6,041)
Benefit payments, including refunds of employee contributions **	(1,787)	(759)	(507)	(543)
<b>Net Change in Total OPEB Liability</b>	<u>3,303</u>	<u>21,796</u>	<u>(191,650)</u>	<u>219,193</u>
Beginning total OPEB liability	<u>134,248</u>	<u>112,452</u>	<u>304,102</u>	<u>84,909</u>
<b>Ending Total OPEB Liability</b>	<u>\$ 137,551</u>	<u>\$ 134,248</u>	<u>\$ 112,452</u>	<u>\$ 304,102</u>
<b>Covered Payroll</b>	\$ 2,553,537	\$ 2,530,676	\$ 2,535,582	\$ 2,717,141
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	5.39%	5.30%	4.43%	11.19%

\* Only five years of information is currently available. The City will build this schedule over the next five-year period.

\*\* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

**Notes to Required Supplementary Information:**

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3.0% 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.

3. Other Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

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.

There were no benefit changes during the year.

<b>Measurement</b>	
<b>Year*</b>	
<b>2017</b>	
\$	4,813
	2,773
	-
	-
	6,633
	(535)
	<u>13,684</u>
	<u>71,225</u>
\$	<u>84,909</u>
\$	<u>2,673,873</u>
	3.18%

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***SUPPLEMENTARY INFORMATION***

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**CITY OF OAK RIDGE NORTH, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND (Modified Accrual)**  
**For the Year Ended September 30, 2022**

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Ad valorem taxes	\$ 537,911	\$ 537,911	\$ 539,093	\$ 1,182
Investment earnings	100	100	2,414	2,314
<b>Total Revenues</b>	<u>538,011</u>	<u>538,011</u>	<u>541,507</u>	<u>3,496</u>
<b>Expenditures</b>				
Debt service:				
Principal	425,000	425,000	425,000	-
Interest and fiscal agent fees	112,860	362,010	359,960	2,050
<b>Total Expenditures</b>	<u>537,860</u>	<u>787,010</u>	<u>784,960</u>	<u>2,050</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>151</u>	<u>(248,999)</u>	<u>(243,453)</u>	<u>5,546</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	249,150	249,150	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>249,150</u>	<u>249,150</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 151</u>	<u>\$ 151</u>	5,697	<u>\$ 5,546</u>
Beginning fund balance			<u>110,061</u>	
<b>Ending Fund Balance</b>			<u>\$ 115,758</u>	

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**CITY OF OAK RIDGE NORTH, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**TIRZ FUND (Modified Accrual)**  
**For the Year Ended September 30, 2022**

	<b>Original Budget Amounts</b>	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Ad valorem taxes	\$ 461,520	\$ 461,520	\$ 458,634	\$ (2,886)
Investment earnings	1,000	1,000	9,200	8,200
<b>Total Revenues</b>	<u>462,520</u>	<u>462,520</u>	<u>467,834</u>	<u>5,314</u>
<b><u>Expenditures</u></b>				
Current:				
General government	6,872	6,872	6,872	-
<b>Total Expenditures</b>	<u>6,872</u>	<u>6,872</u>	<u>6,872</u>	<u>-</u>
<b>Excess of Revenues Over Expenditures</b>	<u>455,648</u>	<u>455,648</u>	<u>460,962</u>	<u>5,314</u>
<b><u>Other Financing (Uses)</u></b>				
Transfers (out)	(272,726)	(272,726)	(272,082)	644
<b>Total Other Financing (Uses)</b>	<u>(272,726)</u>	<u>(272,726)</u>	<u>(272,082)</u>	<u>644</u>
<b>Net Change in Fund Balance</b>	<u>\$ 182,922</u>	<u>\$ 182,922</u>	188,880	<u>\$ 5,958</u>
Beginning fund balance			<u>1,154,018</u>	
<b>Ending Fund Balance</b>			<u>\$ 1,342,898</u>	

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