

**CITY OF VAN ALSTYNE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2021**



City of Van Alstyne, Texas
Annual Financial Report
For the Year Ended September 30, 2021

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FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Van Alstyne, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Van Alstyne, Texas (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and TMRS pension and OPEB information on pages 3-7 and 51-57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund budgetary comparison schedules and individual fund financial statements presented on pages 60-69 are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

A handwritten signature in black ink that reads "LaFollett & Company PLLC". The signature is written in a cursive, flowing style.

LaFollett & Company PLLC
Tom Bean, Texas
June 14, 2022

City of Van Alstyne, Texas

Management's Discussion and Analysis

Our discussion and analysis of City of Van Alstyne's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the City's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of FY21 by \$39,215,198. This is an increase of \$16,425,305 over FY20's restated net position value of \$22,789,893. Unrestricted net position at the close of FY21 is \$4,487,570 and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$16,42,305 or 72%, as a result of this year's operations and \$11,517,612 of capital grants and contributions.
- The City's governmental fund types on page 11 and 13 reported combined ending fund balances of \$7,462,317, which is a decrease of \$55,868 in comparison with the prior year restated amount of \$7,518,185.
- The unassigned governmental fund balances of \$2,708,762 (36%) are available for spending at the City's discretion. The remainder of the governmental fund balances are restricted for a specific purpose, primarily capital projects and debt service. For 2021, the General Fund had approximately \$469,389 in monthly expenses, so the unassigned fund balance of \$2,708,762 represents 5.77 months of expenses.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 11) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests. Proprietary fund financial statements report activity for the City's water, sewer, and sanitation operations.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

Reporting the City as a Whole – Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities

Government-wide financial statements, which provide an analysis of the City's overall financial condition and operation, begin on page 9. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities. The Statement of Net Position includes all the City's assets, deferred inflow and outflows, and liabilities (including long-term items) while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year.

City of Van Alstyne, Texas

Management's Discussion and Analysis

Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions, 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City however, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities, as well as, the component units:

Governmental Activities – City services such as police, fire protection and ambulance services, municipal court, street maintenance, development, emergency communication, parks, library, City administration, and interest on long-term debt are reported here. City property taxes and charges for services finance most of these activities.

Business-Type Activities - The City uses proprietary (business-type) funds to account for its water, sewer, and sanitation operations. The services are supported by monthly charges to citizens.

Discretely Presented Component Units - The Economic Development Corporation (EDC) and Community Development Corporation (CDC) are reported in separate columns to emphasize that they are separate entities.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 11 and provide detailed information about the most significant funds. The City's two kinds of funds-governmental and proprietary – use different accounting approaches.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules found on pages 12 and 14.

City of Van Alstyne, Texas

Management's Discussion and Analysis

Proprietary Funds – The City uses proprietary (business-type) funds to account for its water, sewer, and sanitation operations. The full-accrual basis of accounting is used for all proprietary type funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position serves as one useful indicator of a government's financial position. In the case of the City, net position is \$39,215,198 at the close of FY21. Seventy-three percent (73%) of the City's net position is invested in capital assets; land, buildings, infrastructure, machinery and equipment, less any outstanding debt used to acquire these assets. The City uses capital assets to provide services to the citizens they serve; consequently, these assets are not available for future spending. The following is a summary of the Statement of Net Position and the Statement of Activities as of and for the year ended September 30, 2021:

City of Van Alstyne - Statement of Net Position

	FY21	FY20
Current and other assets	\$17,808,949	\$11,865,379
Capital assets	44,307,775	29,871,937
Total assets	<u>62,116,724</u>	<u>41,737,316</u>
Deferred outflow of resources	296,997	212,811
Total deferred outflow of resources	<u>296,997</u>	<u>212,811</u>
 Current liabilities	 3,711,576	 1,814,013
L-T liabilities	19,348,535	17,247,996
Total liabilities	<u>23,060,111</u>	<u>19,062,009</u>
Deferred inflow of resources	138,412	153,217
Total deferred outflow of resources	<u>138,412</u>	<u>153,217</u>
 Net position		
Net investment in capital assets	28,810,622	17,914,053
Restricted	5,917,006	2,677,264
Unrestricted	4,487,570	2,143,584
Total net position	<u>\$ 39,215,198</u>	<u>\$ 22,734,901</u>

City of Van Alstyne - Statement of Activities

Revenues:		
Program revenues	\$ 8,794,114	\$ 6,455,092
Operating grants and contributions	451,213	152,924
Capital grants and contributions	11,517,612	919,131
General revenues	4,747,378	3,800,249
Total revenues	<u>25,510,317</u>	<u>11,327,396</u>
 Expenses:		
Water, sewer, and sanitation	2,904,999	2,744,741
General government	843,631	1,986,689
Development	853,293	-
Police and communications	1,457,586	1,324,124
Fire protection and ambulance	1,137,494	951,913
Municipal court	141,802	124,711
Streets and infrastructure	786,443	564,962
Parks	541,570	301,500
Library	256,353	247,900
Interest	161,841	117,038
Total expenses	<u>9,085,012</u>	<u>8,363,578</u>
Increase in net position	16,425,305	2,963,818
Net position - beginning of year, as restated	22,789,893	19,771,083
Net position - end of year	<u>\$ 39,215,198</u>	<u>\$ 22,734,901</u>

City of Van Alstyne, Texas

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Net position of the City's governmental activities increased from \$10,614,066 to \$19,124,275. \$6,944,770 of the increase in net position of governmental activities is attributable to an increase in capital grants. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is \$2,682,366 for governmental activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's Governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$7,462,317 compared to \$7,518,185 in FY20. This represents a decrease of \$55,868.

Revenues for the City's General Fund (as shown on page 13) were \$6,702,863 while total expenditures were \$5,632,673. This resulted in an excess of revenues over expenditures in the amount of \$1,070,190 from current operations. Last year's result was an excess of revenues over expenditures in the amount of \$663,966.

The City's Water and Sewer Funds (as presented in the Statement of Net Position on page 15) reported a net position of \$20,090,923 compared to the restated net position \$12,175,827 in FY20. This represents an increase of \$7,915,096.

Revenues for the City's Water and Sewer Fund (as shown on page 16) were \$6,104,858 while total operating expenses were \$2,407,694. These totals plus non-operating items resulted in an increase in net position of \$7,915,096. Last year's result was a net increase of \$1,709,626. FY20 unrestricted net position of \$624,832 was increased to \$1,805,204 in FY21. This represents 9 months of reserves.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted budget for the General Fund was amended. See General Fund Budgetary Comparison presented on page 51. A review of the actual expenditures compared to the appropriations in the General Fund budget yields several significant variances, as discussed below. The following is a summary discussion of General Fund budget variances for FY21:

Revenues were \$10,555 less than budgeted

- Court revenues were \$187,353 (27%) less than budgeted because violation receipts were less than anticipated and the City adjusted revenue for payments remitted to the State.

Expenditures were \$385,165 less than budgeted

- Court expenses were \$252,706 (65%) less than budgeted because expenses were less than anticipated and the City budgeted for payments remitted to the State in the expense line item rather than as a reduction of revenue.

City of Van Alstyne, Texas

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets net of accumulated depreciation for all activities as of September 30, 2021 amounts to \$44,307,775, compared to \$29,871,937 at September 30, 2020. This investment in capital assets includes land, buildings and improvements, street improvements, city parks, machinery and equipment, and water and sewer facilities. Major capital asset additions during the fiscal year were developer contributions for water and sewer systems as well as streets and infrastructure in the amount of \$11,212,661.

Long-Term Debt

At year-end, the City had total contractual obligations, bonds, notes and other debt outstanding of \$19,718,643. The City entered into new debt during the year in the original principal amount of \$4,000,000 for water and sewer system improvements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic factors currently affect the City and were considered in developing the 2021 – 2022 budget.

- The city has maintained or reduced its property tax rate for the past four years as was the case during FY21. The continued increase in real estate property valuations and growth due to ongoing residential and commercial development allowed the city to provide property tax rate reductions.
- Sales tax revenue continues to show rapid year over year increases reflecting both population growth and new commercial development. The city anticipates greater interest from commercial developers as residential new construction reaches business metrics that support retail development.
- New home (SFR) development maintained at a rapid pace. The city has issued over 250 new residential building permits in the first half of FY22. The city anticipates a slowing in the issuance of building permits as interest rates climb and availability and cost of building materials has become an issue for developers.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, write to City Hall, at P.O. Box 247, Van Alstyne, Texas 75495-0247 or call (903) 482-5426.



City of Van Alstyne, Texas

Statement of Net Position

September 30, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
ASSETS					
Cash and cash equivalents	\$ 8,217,541	\$ 2,370,046	\$ 10,587,587	\$ 559,351	\$ 422,736
Receivables, net	1,171,578	570,787	1,742,365	77,484	74,086
Internal balances	60,133	(60,133)	-	-	-
Inventory	-	94,056	94,056	-	-
Restricted Assets:					
Deposits held in trust by GTUA	-	5,384,941	5,384,941	-	-
Capital assets not being depreciated:					
Land	1,489,895	258,578	1,748,473	1,650,461	-
Construction in progress	3,118,352	2,999,810	6,118,162	685,143	-
Capital assets net of accumulated depreciation:					
Buildings and improvements	151,137	-	151,137	39,185	-
Machinery and equipment	1,094,535	199,769	1,294,304	-	-
Parks	275,381	-	275,381	-	-
Streets and infrastructure	12,852,782	21,867,536	34,720,318	-	-
Total Assets	<u>28,431,334</u>	<u>33,685,390</u>	<u>62,116,724</u>	<u>3,011,624</u>	<u>496,822</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - OPEB	27,718	3,787	31,505	-	-
Deferred outflows - pension	233,578	31,914	265,492	-	-
Total Deferred Outflows of Resources	<u>261,296</u>	<u>35,701</u>	<u>296,997</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable	917,288	148,446	1,065,734	-	-
Accrued liabilities	87,732	23,071	110,803	2,369	-
Accrued interest	26,604	619,054	645,658	14,298	-
Customer deposits	-	280,566	280,566	-	-
Unearned revenue	542,403	33,961	576,364	-	-
Long term liabilities:					
Due within one year:					
Debt	318,586	644,844	963,430	54,469	-
Compensated absenses	56,825	12,196	69,021	-	-
Due in more than one year:					
Debt	6,975,142	11,780,071	18,755,213	2,165,120	-
Total OPEB liability	107,090	14,632	121,722	-	-
Net pension liability	414,911	56,689	471,600	-	-
Total Liabilities	<u>9,446,581</u>	<u>13,613,530</u>	<u>23,060,111</u>	<u>2,236,256</u>	<u>-</u>
DEFERRED INFLOW OF RESOURCES					
Deferred inflow - pension	121,774	16,638	138,412	-	-
Total Deferred Inflows of Resources	<u>121,774</u>	<u>16,638</u>	<u>138,412</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	15,909,844	12,900,778	28,810,622	155,200	-
Restricted for:					
Deposits held in trust by GTUA	-	5,384,941	5,384,941	-	-
Capital projects	(463,153)	-	(463,153)	-	-
Debt service	521,165	-	521,165	-	-
Court security and technology	64,439	-	64,439	-	-
Police seizure	39,951	-	39,951	-	-
Streets	352,357	-	352,357	-	-
Insurance	17,051	-	17,051	-	-
Library technology	255	-	255	-	-
Unrestricted	2,682,366	1,805,204	4,487,570	620,168	496,822
Total Net Position	<u>\$ 19,124,275</u>	<u>\$ 20,090,923</u>	<u>\$ 39,215,198</u>	<u>\$ 775,368</u>	<u>\$ 496,822</u>

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

City of Van Alstyne, Texas
Statement of Activities
For the Year Ended September 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
Primary Government:									
Governmental Activities:									
General government	\$ 843,631	\$ 50,094	\$ 390,144	\$ 304,952	\$ (98,441)		\$ (98,441)		
Development	853,293	1,272,031	-	-	418,738		418,738		
Police	1,209,110	134,153	41,188	-	(1,033,769)		(1,033,769)		
Fire protection and ambulance	1,137,494	1,012,683	9,426	-	(115,385)		(115,385)		
Municipal court	141,802	286,754	-	-	144,952		144,952		
Streets and infrastructure	786,443	-	-	6,639,818	5,853,375		5,853,375		
Emergency communications	248,476	-	-	-	(248,476)		(248,476)		
Parks	541,570	-	-	-	(541,570)		(541,570)		
Library	256,353	7,077	10,455	-	(238,821)		(238,821)		
Interest on long-term debt	161,841	-	-	-	(161,841)		(161,841)		
Total Governmental Activities	<u>6,180,013</u>	<u>2,762,792</u>	<u>451,213</u>	<u>6,944,770</u>	<u>3,978,762</u>		<u>3,978,762</u>		
Business-Type Activities:									
Water, sewer, and sanitation	2,904,999	6,031,322	-	4,572,842	-	\$ 7,699,165	7,699,165		
Total Business-Type Activities	<u>2,904,999</u>	<u>6,031,322</u>	<u>-</u>	<u>4,572,842</u>	<u>-</u>	<u>7,699,165</u>	<u>7,699,165</u>		
Total Primary Government	<u>\$ 9,085,012</u>	<u>\$ 8,794,114</u>	<u>\$ 451,213</u>	<u>\$ 11,517,612</u>	3,978,762	7,699,165	11,677,927		
Component Units:									
Economic Development Corporation	\$ 277,627	\$ -	\$ -	\$ -				\$ (277,627)	
Community Development Corporation	265,954	-	-	-				-	\$ (265,954)
Total Component Units	<u>\$ 543,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(277,627)</u>	<u>(265,954)</u>
General Revenues:									
Property taxes					2,250,197	-	2,250,197	-	-
General sales and use taxes					2,120,857	-	2,120,857	353,476	353,476
Franchise taxes					239,992	-	239,992	-	-
Gain (loss) on sale of assets					11,513	-	11,513	136,796	-
Miscellaneous					-	73,536	73,536	16,464	36,217
Investment earnings					28,310	22,973	51,283	1,420	698
Transfers in (out)					(119,422)	119,422	-	-	-
Total General Revenues					<u>4,531,447</u>	<u>215,931</u>	<u>4,747,378</u>	<u>508,156</u>	<u>390,391</u>
Change in Net Position					8,510,209	7,915,096	16,425,305	230,529	124,437
Net Position- Beginning, as Restated					10,614,066	12,175,827	22,789,893	544,839	372,385
Net Position - Ending					<u>\$ 19,124,275</u>	<u>\$ 20,090,923</u>	<u>\$ 39,215,198</u>	<u>\$ 775,368</u>	<u>\$ 496,822</u>

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

City of Van Alstyne, Texas

Balance Sheet

Governmental Funds

September 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Street Sales Tax Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,543,885	\$ 490,685	\$ 4,861,514	\$ 321,457	\$ 8,217,541
Due from other funds	96,684	28,813	-	-	125,497
Receivables, net of allowance	1,074,594	23,183	-	73,801	1,171,578
Total Assets	<u>3,715,163</u>	<u>542,681</u>	<u>4,861,514</u>	<u>395,258</u>	<u>9,514,616</u>
LIABILITIES					
Accounts payable	347,904	450	560,774	8,160	917,288
Accrued liabilities	87,732	-	-	-	87,732
Unearned revenue	-	-	542,403	-	542,403
Due to other funds	30,623	-	-	34,741	65,364
Total Liabilities	<u>466,259</u>	<u>450</u>	<u>1,103,177</u>	<u>42,901</u>	<u>1,612,787</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues:					
Ambulance	296,884	-	-	-	296,884
Property taxes	57,657	21,066	-	-	78,723
Court fines	63,905	-	-	-	63,905
Total Deferred Inflows of Resources	<u>418,446</u>	<u>21,066</u>	<u>-</u>	<u>-</u>	<u>439,512</u>
FUND BALANCES					
Restricted for:					
Capital projects	-	-	3,758,337	-	3,758,337
Debt service	-	521,165	-	-	521,165
Court security and technology	64,439	-	-	-	64,439
Police seizure	39,951	-	-	-	39,951
Streets	-	-	-	352,357	352,357
Insurance	17,051	-	-	-	17,051
Library technology	255	-	-	-	255
Unassigned	2,708,762	-	-	-	2,708,762
Total Fund Balances	<u>2,830,458</u>	<u>521,165</u>	<u>3,758,337</u>	<u>352,357</u>	<u>7,462,317</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,715,163</u>	<u>\$ 542,681</u>	<u>\$ 4,861,514</u>	<u>\$ 395,258</u>	<u>\$ 9,514,616</u>

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

City of Van Alstyne, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2021

Amounts reported for the governmental activities in the Statement of Net Position are different because:

Total Fund Balances - Governmental Funds	\$ 7,462,317
Capital assets used in governmental activities are not financial resources. Therefore, they are not reported in the governmental funds.	18,982,082
Delinquent property taxes, ambulance revenue, and court fines are not current financial resources. Therefore, they are deferred in the governmental funds.	439,512
Long term liabilities, including bonds payable and compensated absences, are not due and payable in the current period. Therefore, they are not reported in the governmental funds.	(7,350,553)
Other net amounts, including interest payable on long term debt are not due in the current period. Therefore, they are not reported in the governmental funds.	(26,604)
Net pension liability is not a current financial use; therefore, it is not reported in the governmental funds.	(414,911)
Total OPEB liability is not a current financial use; therefore, it is not reported in the governmental funds.	(107,090)
Deferred outflows (inflows) of resources represent a consumption (source) of net position that applies to a future period(s) and are not recognized as an outflow (inflow) of resources (expense/expenditure) until then.	
Pension amounts	111,804
OPEB amounts	27,718
Net Position of Governmental Activities	\$ 19,124,275

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

City of Van Alstyne, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Street Sales Tax Fund	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 1,760,538	\$ 476,053	\$ -	\$ -	\$ 2,236,591
General sales and use	1,767,381	-	-	353,476	2,120,857
Franchise	239,992	-	-	-	239,992
License and permits	1,272,031	-	-	-	1,272,031
Grants	266,021	-	-	-	266,021
Ambulance services	777,730	-	-	-	777,730
Municipal court	290,321	-	-	-	290,321
Fines and forfeitures	134,153	-	-	-	134,153
Donations	129,853	-	360,291	-	490,144
Other income	47,465	-	209,270	-	256,735
Investment earnings	7,672	1,527	18,152	959	28,310
Library	7,077	-	-	-	7,077
Intergovernmental	2,629	-	-	-	2,629
Total Revenues	<u>6,702,863</u>	<u>477,580</u>	<u>587,713</u>	<u>354,435</u>	<u>8,122,591</u>
EXPENDITURES					
Current:					
General government	855,580	-	-	-	855,580
Development	855,001	-	-	-	855,001
Police	1,131,355	-	-	-	1,131,355
Fire protection and ambulance	1,027,239	-	-	-	1,027,239
Emergency communications	253,382	-	-	-	253,382
Library	250,101	-	-	-	250,101
Parks	402,856	-	-	-	402,856
Streets and infrastructure	85,793	-	40,081	42,034	167,908
Municipal court	143,902	-	-	-	143,902
Debt Service:					
Principal	94,698	205,000	-	-	299,698
Interest	12,214	166,524	-	-	178,738
Capital Outlay:					
Streets and infrastructure	-	-	142,063	8,160	150,223
Parks	227,120	-	1,851,502	-	2,078,622
Public safety	230,967	-	-	-	230,967
General government	41,915	-	-	-	41,915
Library	20,550	-	-	-	20,550
Total Expenditures	<u>5,632,673</u>	<u>371,524</u>	<u>2,033,646</u>	<u>50,194</u>	<u>8,088,037</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,070,190</u>	<u>106,056</u>	<u>(1,445,933)</u>	<u>304,241</u>	<u>34,554</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of general capital assets	29,000	-	-	-	29,000
Transfers in (out)	-	-	-	(119,422)	(119,422)
Total Other Financing Sources (Uses)	<u>29,000</u>	<u>-</u>	<u>-</u>	<u>(119,422)</u>	<u>(90,422)</u>
Net Change in Fund Balances	1,099,190	106,056	(1,445,933)	184,819	(55,868)
Fund Balances - Beginning, as Restated	1,731,268	415,109	5,204,270	167,538	7,518,185
Fund Balances - Ending	<u>\$ 2,830,458</u>	<u>\$ 521,165</u>	<u>\$ 3,758,337</u>	<u>\$ 352,357</u>	<u>\$ 7,462,317</u>

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

City of Van Alstyne, Texas
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2021

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

Net Change in Fund Balances - Total Governmental Funds	\$	(55,868)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital contributions related to additions		6,639,818
Capital outlays		2,522,277
Depreciation expense		(1,014,007)
Disposals		(17,487)

Governmental funds repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, the amounts are deferred and amortized in the Statement of Activities.

Long-term debt repaid in current year		299,698
Amortization of bond premium		14,705

Governmental funds report some prior year tax, court, and ambulance revenues as income in the current year. However, in the Statement of Activities, the revenue is recognized in the year in which it is earned.		35,722
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Accrued long term debt interest is not recorded in the governmental fund financials but the increase in the balance is recognized for the full accrual government-wide financial statements as interest expense.		2,192
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Changes to accrued compensated absences are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.		28,232
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Full accrual based pension expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.		65,888
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Full accrual based OPEB expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.		(10,961)
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Change in Net Position of Governmental Activities	\$	8,510,209
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The notes to the financial statements are an integral part of these financial statements.

City of Van Alstyne, Texas

Statement of Net Position

Proprietary Fund

September 30, 2021

	Water & Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,370,046
Accounts receivables, net	570,787
Inventory	94,056
Total Current Assets	<u>3,034,889</u>
Noncurrent Assets:	
Deposits held in trust by GTUA	5,384,941
Total Noncurrent Assets	<u>5,384,941</u>
Capital assets:	
Land	258,578
Construction in progress	2,999,810
Machinery and equipment	902,612
Infrastructure	28,906,759
Less: accumulated depreciation	(7,742,066)
Total Capital Assets	<u>25,325,693</u>
Total Assets	<u>33,745,523</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - pension	31,914
Deferred outflow - OPEB	3,787
Total Deferred Outflows of Resources	<u>35,701</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	148,446
Accrued liabilities	23,071
Unearned revenue	33,961
Customer deposits payable	280,566
Due to other funds	60,133
Accrued interest payable	619,054
Compensated absences	12,196
Contractual obligations - current	116,918
Bonds payable - current	527,926
Total Current Liabilities	<u>1,822,271</u>
Noncurrent Liabilities:	
Net pension liability	56,689
Total OPEB liability	14,632
Contractual obligations	88,317
Bonds payable	11,691,754
Total Noncurrent Liabilities	<u>11,851,392</u>
Total Liabilities	<u>13,673,663</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - pension	16,638
Total Deferred Inflows of Resources	<u>16,638</u>
NET POSITION	
Net investment in capital assets	12,900,778
Restricted deposits held in trust by GTUA	5,384,941
Unrestricted	1,805,204
Total Net Position	<u>\$ 20,090,923</u>

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

City of Van Alstyne, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2021

	Water & Sewer Fund
Operating Revenues	
Water	\$ 3,096,590
Sewer	2,262,588
Sanitation	329,653
Other services	266,099
Late charges and penalties	76,392
Miscellaneous	73,536
Total Operating Revenues	<u>6,104,858</u>
Operating Expenses	
Depreciation and amortization	717,014
Personnel services	442,742
Maintenance and repairs	393,800
Sanitation contract	297,806
Utilities	204,897
Administrative	179,181
Contractual services	126,273
Purchased water	23,792
Supplies	22,189
Total Operating Expenses	<u>2,407,694</u>
Operating Income	<u>3,697,164</u>
Nonoperating Revenues (Expenses)	
Contributions	4,572,842
Interest income	22,973
Loss on disposal of asset	(6,513)
Fiscal agent fees	(145,106)
Interest expense	(345,686)
Total Nonoperating Revenues (Expenses)	<u>4,098,510</u>
Income Before Transfers	<u>7,795,674</u>
Transfers in (out)	119,422
Change in Net Position	7,915,096
Net Position - Beginning, as Restated	12,175,827
Net Position - Ending	<u><u>\$ 20,090,923</u></u>

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

City of Van Alstyne, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2021

	Water & Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers and users	\$ 5,968,897
Cash paid to employees for services	(442,335)
Cash paid to suppliers	(1,369,019)
Net Cash Provided by Operating Activities	<u>4,157,543</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in (out) to other funds	119,422
Net Cash Provided by Noncapital Financing Activities	<u>119,422</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for acquisition and construction of capital assets	(2,377,927)
Cash from capital contributions	-
Cash from GTUA restricted deposits	(3,947,293)
Proceeds from debt issuance	4,000,000
Cash paid for fiscal agent fees	(145,106)
Interest paid on long-term debt	(427,072)
Principal payments on debt	(560,501)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(3,457,899)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	22,973
Net Cash Provided by Investing Activities	<u>22,973</u>
Net Increase (Decrease) in Cash and Cash Equivalents	842,039
Cash and Cash Equivalents, October 1, 2020	<u>1,528,007</u>
Cash and Cash Equivalents, September 30, 2021	<u><u>2,370,046</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	3,697,164
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation and amortization	717,014
(Increase) decrease in accounts receivable	(112,981)
(Increase) decrease in inventory	(94,056)
(Increase) decrease in deferred outflows related to pension/OPEB balances	(10,892)
Increase (decrease) in deferred inflows related to pension/OPEB balances	(1,223)
Increase (decrease) in accounts payable	(83,045)
Increase (decrease) in deferred revenue	6,886
Increase (decrease) in customer deposits	22,980
Increase (decrease) in compensated absences	5,055
Increase (decrease) in accrued liabilities	3,988
Increase (decrease) in net pension liability	2,018
Increase (decrease) in total OPEB liability	4,635
Net Cash Provided by Operating Activities	<u><u>\$ 4,157,543</u></u>

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



City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Note 1: Summary of Significant Accounting Policies

A. Description of 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 non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

The City of Van Alstyne, Texas (City) operates under a city manager form of government. The general governmental functions include fire protection, ambulance services, general administrative services, police protection, municipal court, streets and infrastructure, parks, emergency communications, and library services. Enterprise Funds are used to account for the operations of its water, sewer, and sanitation services.

The accompanying financial statements present the primary government, the City, and its component units, entities that are legally separate but are included in the financial statements because the primary government is considered to be financially accountable. The component units presented are those separately administered organizations that are controlled by or dependent on the City. Control or dependency of the component unit to the City is determined on the basis of the appointment of the respective governing board, ability to influence projects, whether a financial benefit/burden relationship exists, and other factors. Further, the presentation in the financial statements is determined by whether the component unit's governing body is substantially the same as the City, who is the primary beneficiary of the services provided, and the expectation of what resources will be used to pay debts.

Based on the criterion stated above, The Van Alstyne Economic Development Corporation (EDC) and the Van Alstyne Community Development Corporation (CDC) are component units of the City. The EDC and CDC are non-profit organizations established on behalf of the City under the Development Act of 1979. The transactions of the EDC and CDC are maintained in separate funds and are discretely presented in separate columns in the financial statements. The discretely presented methodology was selected after evaluation of the circumstances and standards, as noted above. The EDC and CDC do not issue separate financial statements.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

C. Upcoming and Newly Implemented Accounting Pronouncements

The GASB has issued the following statements:

GASB Statement No. 87, Leases, will increase the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The City is currently evaluating the impact of this Statement.

GASB Statement No. 91, Conduit Debt Obligations, will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The adoption of Statement No. 91 has no impact on the City's financial statements.

GASB Statement No. 92, Omnibus 2020, establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement are effective for various reporting periods beginning after June 15, 2021. The City is currently evaluating the impact of this Statement.

GASB Statement No. 93, Replacement of Interbank Offered Rates, provides exceptions to the existing provisions for hedge accounting termination and lease modifications to ease the accounting requirements related to the transition away from interbank offered rates. It also identifies appropriate benchmark interest rates for hedging derivative instruments. Some requirements of this Statement will take effect for reporting periods ending after December 31, 2021 while other requirements are effective beginning with fiscal years that end June 30, 2022. The adoption of Statement No. 93 has no impact on the City's financial statements.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, improves financial reporting by addressing these relationships and availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The City is currently evaluating the impact of this Statement.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), provides guidance on the accounting and financial reporting of contractual arrangements. It defines SBITA; establishes that a SBITA results in a right-to-use subscription asset; provides capitalization criteria; and requires note disclosures. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The City is currently evaluating the impact of this Statement.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which potential component unit does not have a governing board and the primary government performs the duties that governing board typically would perform; mitigate costs associated with the reporting of certain defined contribution pension, OPEB and benefit plans other than pension or OPEB plans; and enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. The City is currently evaluating the impact of this Statement for the requirements effective in fiscal year 2022.

GASB Statement No. 98, The Annual Comprehensive Financial Report, establishes the term annual comprehensive financial report and its acronym ACFR. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The City has implemented this Statement.

D. Basis of presentation – government-wide financial statements

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

E. 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.

The City reports the following major and nonmajor governmental funds:

General Fund – The General Fund is the City's primary operating fund. It accounts for all financial resources, except those accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund. The General Fund accounts for the transactions relating to most City operations including police, fire, ambulance, court, streets, library, and parks. This is a major fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of the governmental funds. This is a major fund.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. This is a major fund.

Street Sales Tax Fund – The Street Sales Tax Fund is used to account for financial resources to be used for the repair and maintenance of the City's streets. This is a nonmajor fund.

The City reports the following major enterprise funds:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the provision of water, sewer and sanitation services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collections activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest for water and sewer debt. Most costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary, to ensure integrity of the funds.

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 the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities' column.

Similarly, balances between funds included in the business-type activities 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 the 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 funds included in the business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

F. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement and basis of accounting. Measurement focus indicates the type of resources being measured 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 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

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 be used 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 are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

General capital asset acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered 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.

Reimbursement basis 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

G. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Debt Service Fund. The Capital Projects Fund is appropriated on a project-length basis. The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the council. The level of budgetary control is the department level. Appropriations in all budgeted funds lapse at the end of the fiscal year.

H. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Accordingly, actual results could differ from those estimates. Significant estimates used in the preparation of the financial statements include the assumptions in recording receivable allowances and depreciation.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line methods. Estimated useful lives are as follows:

Building	20 Years
Water and Sewer System	50 Years
Infrastructure	10-20 Years
Machinery and Equipment	5 - 16 Years

Pension and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about the Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's 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.

Information regarding the City's Net Pension Liability and Total OPEB Liability is obtained from the TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68. Accounting and Financial Reporting for Pensions and GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the Statement of Financial Position and/or Balance Sheet will sometimes report a separate section for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting as deferred outflows of resources. These deferred outflows result from pension and OPEB contributions after the measurement date (deferred and recognized in the following year) and differences in pension and OPEB assumption changes.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

The City has several items that qualify for reporting as deferred inflows of resources. Deferred inflows of resources described as unavailable revenues only arise under modified accrual basis of accounting and are reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes, court fines, and ambulance billing. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Also, the City reports deferred inflows of resources for pension and OPEB amounts that relate to the differences in expected and actual economic experience, changes in actuarial assumptions, and projected and actual investment earnings.

Net Position

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets with unspent proceeds added back. Net positions are reported as restricted when there are limitations imposed on use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulation of other governments.

Fund Balances

The City reports fund balances based on the requirements of GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

As of September 30, 2021, fund balances of the governmental funds are classified as follows:

Non-spendable – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purpose. Under the City’s policy, only the City Council may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds.

The City allocates to the proprietary funds an indirect cost percentage of information technology services and salaries and wages and related costs of personnel who perform administrative services for those funds but are paid through the General Fund along with other indirect costs deemed necessary for their operations.

I. Revenues and expenditures/expenses

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 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 a specific purpose, are reported as general revenues.

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 products in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services.

The Water and Sewer Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds 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.

City of Van Alstyne, Texas

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September 30, 2021

Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of October 1st each year and become delinquent on February 1st. Delinquent real property taxes are expected to be collected, as the delinquent amounts are a lien against the related property until paid. Revenue from property taxes not collected during the current period is deferred until such collection is made. Property subject to taxation consists of real property and certain personal property situated in the City. Certain properties of religion, education and charitable organizations, as well as the Federal government and the State of Texas are exempt from taxation. Additionally, certain exemptions are granted to property owners in arriving at the net assessed valuation of property subject to City taxation. The effective property ad valorem tax rate for property tax year 2020 was 0.584456 per \$100 of assessed value for General Fund operations and Debt Service.

Sales Taxes

The City levies a two percent (2%) sales tax on taxable sales within the City. Fifty percent (50%) of the sales tax is allocated to the General Fund, twenty-five percent (25%) is allocated to the Street Sales Tax Fund, and twenty-five percent (25%) is allocated to the EDC and CDC.

Compensated Absences

City employees accrue 40 hours of vacation leave after six full months of service. After that, regular full-time employees earn 80 to 160 hours of paid vacation leave based on years of service. The City allows its employees to carryover earned and unused vacation hours at an amount not to exceed one-half of the hours they are eligible to receive that year. After six full months of employment, city employees accumulate sick leave at the rate of 60 hours per year with a maximum of 720 hours. Accumulated sick leave will not be compensated for in any way at the time of termination. The accrued compensated absences for governmental and business-type activities at September 30, 2021 are \$56,825 and \$12,196, respectively.

Note 2: Cash and Cash Equivalents

As of September 30, 2021, the City maintained all banking accounts at Independent Bank.

At September 30, 2021 the City's total carrying value of cash and cash equivalents is \$10,587,587, which consists of \$879 in petty cash and \$10,586,708 held by depository banks. The cash and cash equivalents held by banks is insured in the amount of \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and the remaining balance is collateralized by securities pledged in the City's name by the depository bank.

At September 30, 2021, the EDC has cash and cash equivalents in the amount of \$559,351 held by depository banks, of which \$250,000 is insured by the FDIC and the remaining balance is collateralized by securities pledged in the EDC's name by the depository bank.

At September 30, 2021, the CDC has cash and cash equivalents in the amount of \$422,736 held by depository banks of which \$250,000 is insured by the FDIC and the remaining balance is collateralized by securities pledged in the CDC's name by the depository bank.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Note 3: Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2021:

	Beginning Balance	Additions	Retirements & Reclasses	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,382,746	\$ 107,149	\$ -	\$ 1,489,895
Construction in progress	1,073,961	2,044,391	-	3,118,352
Depreciable capital assets:				
Building and improvements	669,326	-	-	669,326
Machinery and equipment	2,989,742	350,186	(140,200)	3,199,728
Parks	1,984,322	-	-	1,984,322
Streets and infrastructure	8,869,994	6,660,369	-	15,530,363
Totals	16,970,091	9,162,095	(140,200)	25,991,986
Less accumulated depreciation	(6,118,612)	(1,014,007)	122,715	(7,009,904)
Governmental activities capital assets, net	<u>\$10,851,479</u>	<u>\$ 8,148,088</u>	<u>\$ (17,485)</u>	<u>\$ 18,982,082</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 258,578	\$ -	\$ -	\$ 258,578
Construction in progress	1,431,191	1,600,019	(31,400)	2,999,810
Depreciable capital assets:				
Waterworks system	16,223,226	2,741,456	-	18,964,682
Sewer system	7,267,216	2,643,461	31,400	9,942,077
Machinery and equipment	871,812	43,826	(13,026)	902,612
Totals	26,052,023	7,028,762	(13,026)	33,067,759
Less accumulated depreciation	(7,031,565)	(717,014)	6,513	(7,742,066)
Business-type activities capital assets, net	<u>\$19,020,458</u>	<u>\$ 6,311,748</u>	<u>\$ (6,513)</u>	<u>\$ 25,325,693</u>
Economic Development Corporation				
Capital assets not being depreciated:				
Land	\$ 1,810,433	\$ -	\$ (159,972)	\$ 1,650,461
Construction in progress	-	685,143	-	685,143
Depreciable capital assets:				
Building and improvements	74,260	-	-	74,260
Machinery and equipment	10,617	-	-	10,617
Totals	1,895,310	685,143	(159,972)	2,420,481
Less accumulated depreciation	(43,335)	(2,357)	-	(45,692)
EDC capital assets, net	<u>\$ 1,851,975</u>	<u>\$ 682,786</u>	<u>\$ (159,972)</u>	<u>\$ 2,374,789</u>

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Depreciation expense for the year ended September 30, 2021 was charged to functions of the primary government and the business-type activities as follows:

Governmental Activities:	
General Government	\$ 3,473
Library	12,442
Ambulance	-
Fire Department	134,349
Police Department	103,411
Parks	141,797
Streets	618,535
	<u>\$1,014,007</u>
Business-Type Activities:	
Water and sewer	\$ 717,014
	<u>\$ 717,014</u>
EDC Activities:	
Economic Development	\$ 2,357
	<u>\$ 2,357</u>

Note 4: Receivables

Receivables as of the year ended September 30, 2021 for the primary government, component units, and the proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Street Sales Tax Fund	Water and Sewer Fund	Total	EDC	CDC
Ambulance	\$ 1,187,428	\$ -	\$ -	\$ -	\$ 1,187,428	\$ -	\$ -
Municipal court	755,118	-	-	-	755,118	-	-
Sales taxes	369,003	-	73,801	-	442,804	73,801	73,801
Property taxes	68,844	24,026	-	-	92,870	-	-
Franchise & other	227,970	-	-	-	227,970	3,683	285
Accounts	-	-	-	576,041	576,041	-	-
	<u>2,608,363</u>	<u>24,026</u>	<u>73,801</u>	<u>576,041</u>	<u>3,282,231</u>	<u>77,484</u>	<u>74,086</u>
Less: allowance for doubtful accounts	(1,533,769)	(843)	-	(5,254)	(1,539,866)	-	-
Net	<u>\$ 1,074,594</u>	<u>\$ 23,183</u>	<u>\$ 73,801</u>	<u>\$ 570,787</u>	<u>\$ 1,742,365</u>	<u>\$ 77,484</u>	<u>\$ 74,086</u>

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Governmental funds report unavailable revenue in connection with receivables for revenue that are not considered available to liquidate liabilities of the current period. At September 30, 2021, the components of the unavailable revenue in the General and Debt Service Funds are as follows:

Ambulance services	\$ 296,884
Delinquent property taxes	78,723
Municipal court fines	63,905
	<u>\$ 439,512</u>

Note 5: Inter-fund Transfers and Due To/From

The General Fund transferred funds to the Water Fund for reimbursement of salaries. The composition of inter-fund transfers for the year ended September 30, 2021 is as follows:

	Transfers To Other Funds	Transfers From Other Funds	Net Transfers
Governmental Funds:			
Street Sales Tax	\$ 119,422	\$ -	
	<u>\$ 119,422</u>	<u>\$ -</u>	<u>\$ (119,422)</u>
Proprietary Funds:			
Water	\$ -	\$ 119,422	
	<u>\$ -</u>	<u>\$ 119,422</u>	<u>\$ 119,422</u>

The General Fund owes the Water Fund for a tax payment. The General Fund owes the Debt Service Fund for property taxes. The composition of due to's/from's for the year ended September 30, 2021 is as follows:

	Due From Other Funds	Due To Other Funds	Internal Balances
Governmental Funds:			
General	\$ 96,684	\$ 30,623	
Debt Service	28,813	-	
Street Sales Tax	-	34,741	
	<u>\$ 125,497</u>	<u>\$ 65,364</u>	<u>\$ 60,133</u>
Proprietary Funds:			
Water and Sewer	\$ -	\$ 60,133	
	<u>\$ -</u>	<u>\$ 60,133</u>	<u>\$ (60,133)</u>

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Note 6: Changes in Long-Term Debt

The following schedule summarizes the changes in long term debt for the year ended September 30, 2021:

	Balance 9/30/2020	Additions	Retirements	Balance 9/30/2021	Due within one year
Governmental Activities					
<u>Contractual obligations, bonds, and notes payable:</u>					
2014 Contractual Obligation #6603	\$ 173,404	\$ -	\$ (41,159)	\$ 132,245	\$ 43,111
2018 Series - Contractual Obligation #8200	167,303	-	(53,539)	113,764	55,770
2019 Series Combination Tax and Revenue Certificates of Obligation	1,445,000	-	(30,000)	1,415,000	30,000
2020 Series - Combination Tax and Revenue Certificates of Obligation	4,655,000	-	(100,000)	4,555,000	95,000
2020 Series - General Obligation Refunding Bonds	920,000	-	(75,000)	845,000	80,000
2019 Series Combination Tax and Revenue Certificates of Obligation - Bond Premium	16,855	-	(887)	15,968	887
2020 Series - Combination Tax and Revenue Bond Premium	129,510	-	(5,396)	124,114	5,396
2020 Series General Obligation Refunding Bonds Bond Premium	101,058	-	(8,421)	92,637	8,422
Total:	<u>7,608,130</u>	<u>-</u>	<u>(314,402)</u>	<u>7,293,728</u>	<u>318,586</u>
Compensated absences:	<u>\$ 83,413</u>	<u>\$ 56,825</u>	<u>\$ (83,413)</u>	<u>\$ 56,825</u>	<u>\$ 56,825</u>
Business-Type Activities					
<u>Contractual obligations with GTUA:</u>					
GTUA CGMA Phase 1 Contractual Obligation	\$ 373,750	\$ -	\$ (67,500)	\$ 306,250	\$ 36,250
GTUA CGMA Phase 2 Contractual Obligation	2,168,750	-	-	2,168,750	-
GTUA CGMA Phase 3 Contractual Obligation	862,500	-	(13,750)	848,750	13,750
GTUA 2014A Series - Contractual Obligation	205,000	-	(50,000)	155,000	50,000
GTUA 2014B Series - Contractual Obligation	1,320,000	-	(75,000)	1,245,000	75,000
GTUA 2015 Series - Contractual Obligation	2,425,000	-	(100,000)	2,325,000	100,000
GTUA 2021 Series - Contractual Obligation	-	4,000,000	-	4,000,000	105,000
<u>Contractual obligations and bonds payable:</u>					
2014 Contractual Obligation #6577	256,856	-	(82,948)	173,908	85,590
2017 Contractual Obligation #7987	62,630	-	(31,303)	31,327	31,327
2020 Series - General Obligation Refunding Bonds	1,210,000	-	(140,000)	1,070,000	140,000
2020 Series - General Obligation Refunding Bonds Bond Premium	110,106	-	(9,176)	100,930	7,927
Total:	<u>8,994,592</u>	<u>4,000,000</u>	<u>(569,677)</u>	<u>12,424,915</u>	<u>644,844</u>
Compensated absences:	<u>\$ 7,141</u>	<u>\$ 12,196</u>	<u>\$ (7,141)</u>	<u>\$ 12,196</u>	<u>\$ 12,196</u>
Economic Development Corporation					
<u>Notes payable:</u>					
2018 Sales Tax Note	\$ 95,291	\$ -	\$ (9,847)	\$ 85,444	\$ 10,376
2020 Series - Sales Tax Revenue Bonds	2,160,000	-	(5,000)	2,155,000	45,000
2020 Series - Bond Discount	(21,762)	-	907	(20,855)	(907)
Total:	<u>\$ 2,233,529</u>	<u>\$ -</u>	<u>\$ (13,940)</u>	<u>\$ 2,219,589</u>	<u>\$ 54,469</u>

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Note 7: Long Term Debt – Governmental Activities

Contractual Obligations, Bonds, and Notes Payable

On April 8, 2014, the City entered into four long-term contract obligations with Government Capital Corporation (“GCC”) for the purpose of financing public works equipment, vehicles and heavy equipment, a fire engine, an ambulance and a command vehicle. The cost of the above noted equipment is to be funded with contractual obligations in four contracts, two contracts are for primary governmental activities and two contracts are for the proprietary fund.

Per the agreement, contract #6603 with GCC requires payments to be remitted to First Financial Bank, N.A. in the original principal amount of \$400,000. The proceeds of the note were utilized to purchase a fire engine truck, which serves as collateral. The note is payable in annual installments of principal and interest in the amount of \$46,707 beginning November 16, 2015 through the maturity date of November 16, 2023. The note has an interest rate of 3.185%. The outstanding principal balance of the note payable at September 30, 2021 is \$132,245

On May 30, 2018, the City entered into a long-term contract obligation with GCC. Per the agreement, contract #8200 with GCC requires payments to be remitted to First Financial Bank, N.A. in the original principal amount of \$275,000. The proceeds of the note were utilized to purchase an ambulance, which serves as collateral. The note is payable in annual installments of principal and interest in the amount of \$60,205 beginning October 15, 2018 through the maturity date of October 15, 2022. The note has an interest rate of 3.90%. The outstanding principal balance of the note payable at September 30, 2021 is \$113,764

On August 1, 2019, the City issued a 2019 Series Combination Tax and Revenue Certificate of Obligation in the original principal amount of \$1,445,000. The Certificate of Obligation have a variable interest rate ranging from 3% to 4%. The note is payable in annual installments ranging from \$30,000 to \$100,000 beginning on February 15, 2021 through the maturity date of February 15, 2035. In conjunction with the issuance of the 2019 series Combination Tax Revenue Certificate of Obligation, a bond premium was issued in the amount of \$17,742. The bond premium will be amortized over the life of the Certificate of Obligation. The outstanding principal balance of the note payable and bond premium at September 30, 2021 is

Principal	<u>\$1,415,000</u>
Premium	<u>\$15,968</u>

On September 3, 2020, the City issued a 2020 Series Combination Tax and Revenue Certificates of Obligation in the original principal amount of \$4,655,000. The Certificates of Obligation has a variable interest rate ranging from 1.5% to 3%. The bond principal is payable in annual installments ranging from \$70,000 to \$365,000 and interest is payable in biannual installments ranging from \$4,106 to \$47,481 beginning on February 15, 2021 through the maturity date of February 15, 2045. In conjunction with the issuance of the 2020 Series Combination Tax Revenue Certificate of Obligation, a bond premium was issued in the amount of \$134,906. The bond premium will be amortized over the life of the Certificate of Obligation. The outstanding principal balance of the bond payable and bond premium at September 30, 2021 is

Principal	<u>\$4,555,000</u>
Premium	<u>\$124,114</u>

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

On September 3, 2020, the City issued the 2020 Series General Obligation Refunding Bonds in the original principal amount of \$2,130,000. The General Obligation Refunding Bonds have an interest rate of 3%. The bond principal is payable in annual installments ranging from \$35,000 to \$305,000 and interest is payable in biannual installments ranging from \$525 to \$28,755 beginning on February 15, 2021 through the maturity date of February 15, 2033. In conjunction with the issuance of the 2020 Series General Obligation Refunding Bonds, a bond premium was issued in the amount of \$109,480. The bond premium will be amortized over the life of the bond. The outstanding principal balance of the bond payable and bond premium at September 30, 2021 is

Principal	<u>\$845,000</u>
Premium	<u>\$92,637</u>

Total contractual obligations, bonds, and notes payable at September 30, 2021: \$7,293,728

The principal and interest requirements related to the governmental activities contractual obligations, bonds, and notes payable at September 30, 2021 are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 303,881	\$ 173,708	\$ 477,589
2023	311,863	163,650	475,513
2024	265,265	153,240	418,505
2025	225,000	144,823	369,823
2026	235,000	137,398	372,398
2027-2031	1,270,000	577,609	1,847,609
2032-2036	1,430,000	424,442	1,854,442
2037-2041	1,605,000	247,253	1,852,253
2042-2045	1,415,000	64,632	1,479,632
	<u>\$ 7,061,009</u>	<u>\$ 2,086,754</u>	<u>\$ 9,147,763</u>

Note 8: Long-Term Debt – Business-Type Activities

Contractual Obligations and Bonds with Greater Texoma Utility Authority

On December 14, 2004, the City, along with the City of Anna, Howe, and Melissa, formed a group called the Collin Grayson Municipal Alliance (“CGMA”). CGMA entered into a long-term contract with the Greater Texoma Utility Authority (“GTUA”) for the purpose of providing funds for the construction of a transmission water pipeline that will provide water to the CGMA cities. The cost of the pipeline is being funded with contractual obligations in three phases.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

The original principal obligation for Phase I of the pipeline project was \$2,800,000, of which twenty-five percent (25%) or \$700,000 pertained to the City. The Phase I contract has interest rates varying between 2.29% and 5.74%. The City's obligation to GTUA under the Phase I contract is to expire with the retirement of the obligation in the fiscal year ending September 30, 2028. As of September 30, 2021, the City's obligation under this contract is \$306,250

The original principal obligation for Phase II of the pipeline project was \$8,675,000, of which twenty-five percent (25%) or \$2,168,750 pertained to the City. The Phase II contract has interest rates varying between 5.68% and 5.83%. The payments for this contract were deferred until fiscal year 2009 when interest only payments commenced. Principal payments will begin in fiscal year 2026. As a result of the deferred principal payments, the obligation is accruing deferred interest payable. At September 30, 2021, the obligation had deferred interest payable in the amount of \$567,599. The City's obligation under the contract will expire with the retirement of the obligation in the fiscal year ending September 30, 2040. At September 30, 2021, the City's obligation under this contract is \$2,168,750

The original principal obligation for Phase III of the pipeline project was \$5,000,000, of which twenty-five percent (25%) or \$1,250,000 pertained to the City. The Phase III contract has interest rates varying between 2.67% and 5.62%. The City's obligation to GTUA under Phase III contract expires with the retirement of the GTUA obligation in the fiscal year ending September 30, 2036. At September 30, 2021, the City's obligation under this contract is \$848,750

Each CGMA city is required to make payments to GTUA in an amount equivalent to twenty-five percent (25%) of the total obligation to cover their portion of the cost of the obligation until the pipeline project is complete and the water is pumping for three months. GTUA has the capacity to pump water to the CGMA cities. From the time water has been delivered to each CGMA city through the pipeline for three months and forward and while water continues to flow to each CGMA city, upon a monthly basis, the City shall be charged it's percentage or fraction share of debt service on the obligation based upon: the amount of water to be paid by the City under its water contract (i.e. the greater of its minimum take-or-pay amount or the actual amount of water taken) divided by the total amount of water to be paid by all CGMA cities.

The sum of the four (4) fractional amounts shall always equal one-hundred percent (100%) of the debt service on the contractual obligation with GTUA. The billing rates for each City will be calculated to provide funds necessary to cover the contractual obligation, interest, repairs, maintenance, and production costs. The City is taking water from the pipeline and incurred a take or pay charge in the amount of \$225,968 for the year ended September 30, 2021.

At the end of the contractual obligation with GTUA, the City will own an undivided interest in the transmission water pipeline based on the percentage of water it utilized and paid for during the contract term. Presently it appears that the undivided interest will be approximately twenty-five percent (25%) of the waterline. The contract will expire and the transfer of ownership will occur during the fiscal year ended September 30, 2040, as long as no new debt is issued.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Under the terms of long-term service contracts between the City and GTUA, the City recognizes that GTUA has an undivided ownership interest in the pipeline equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance and sale of GTUA bonds. The City has an obligation to make payments as specified in the contract with GTUA to pay the principal and interest on the bonds, maintain cash reserves for the security and payment of the bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the bonds, and pay any extraordinary expenses incurred by GTUA in connection with the bonds.

Under terms of the contracts, the City's obligation to make payments to GTUA and GTUA's ownership interest in the facilities will terminate when all of GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding. The City is obligated for the repayment of principal and interest on the debt through a pledging of water and sewer revenues. The structure of the transaction has the qualities of a capital lease therefore the amounts are included in long-term liabilities and capital assets with the associated accumulated depreciation.

On August 18, 2014, the City issued Contract Revenue Bonds series 2014A in the amount of \$485,000 payable to the Greater Texoma Utility Authority. The proceeds were for the construction, acquisition, and improvement of water system facilities for the City. The 2014A bonds have an interest rate from 2.0% to 4.0%. The 2014A series bonds require interest payments beginning September 30, 2015 through the maturity date of September 30, 2024. The 2014A series bond has principal payments that begin September 30, 2015 through the maturity date. The outstanding balance of the 2014A series bonds at September 30, 2021 is \$155,000

On August 18, 2014, the City issued Contract Revenue Bonds series 2014B in the amount of \$1,730,000 payable to the Greater Texoma Utility Authority. The proceeds were for the construction, acquisition, and improvement of water system facilities for the City. The 2014B bonds have an interest rate that varies from 2.0% to 4.0%. The 2014B series bonds require interest payments beginning September 30, 2015 through the maturity date of September 30, 2034. The 2014B series bond has principal payments that begin September 30, 2015 through the maturity date. The outstanding balance of the 2014B series bonds at September 30, 2021 is \$1,245,000

On April 25, 2015, the City issued Contract Revenue Bonds, Series 2015 in the amount of \$2,875,000 payable to the Greater Texoma Utility Authority. It is the intent of the City to authorize the Authority to proceed with construction, acquisition, and improvement of facilities. The Series 2015 bonds have an interest rate that varies from .04% to 2.52%. The Series 2015 bonds require interest payments beginning September 30, 2015 through the maturity date of September 30, 2034. The Series 2015 bond has principal payments that begin September 30, 2015 through the maturity date. The outstanding balance of the Series 2015 bonds at September 30, 2021 is \$2,325,000

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

On March 15, 2021, the City issued Contract Revenue Bonds, Series 2021 in the amount of \$4,000,000 payable to the Greater Texoma Utility Authority. It is the intent of the City to authorize the Authority to proceed with construction, acquisition, and improvement of facilities. The Series 2021 bonds have an interest rate that varies from 1.10% to 2.27%. The Series 2021 bonds require interest payments beginning December 1, 2021 through the maturity date of June 1, 2051. The Series 2021 bond has principal payments that begin June 1, 2022 through the maturity date. The outstanding balance of the Series 2021 bonds at September 30, 2021 is

\$4,000,000

Contractual Obligations and Bonds Payable

Per the agreement noted above in Note 7, contract #6577 with GCC requires payments to be remitted to Prosperity Bank in the original principal amount of \$786,716. The proceeds were used to purchase various public works equipment. The contract has an interest rate of 3.185%. The contract requires ten annual payments of principal and interest in the amount of \$91,140 beginning on August 15, 2015 through the maturity date August 16, 2023. As of September 30, 2021, the City's obligation under this contract is

\$173,908

On November 10, 2017, the City entered into a long-term contract obligation with GCC for the purpose of financing public works equipment. Per the agreement, contract #7987 with GCC requires payments to be remitted to First Financial Bank, N.A. in the original principal amount of \$154,668. The note is payable in annual installments of principal and interest in the amount of \$33,177 beginning April 15, 2018 through the maturity date of April 15, 2022. The note has an interest rate of 2.95%. The outstanding principal balance of the note payable at September 30, 2021 is

\$31,327

On September 3, 2020, the City issued the 2020 Series General Obligation Refunding Bonds in the original principal amount of \$2,130,000. The General Obligation Refunding Bonds have an interest rate of 3%. The bond principal is payable in annual installments ranging from \$35,000 to \$305,000 and interest is payable in biannual installments ranging from \$525 to \$28,755 beginning on February 15, 2021 through the maturity date of February 15, 2033. In conjunction with the issuance of the 2020 Series General Obligation Refunding Bonds, a bond premium was issued in the amount of \$119,281. The bond premium will be amortized over the life of the bond. The outstanding principal balance of the bond payable and bond premium at September 30, 2021 is

Principal \$1,070,000

Premium \$100,930

Total contractual obligations and bonds payable at September 30, 2021

\$12,424,915

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

The principal and interest requirements related to the business-type activities contractual obligations and bonds at September 30, 2021 are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 636,917	\$ 485,957	\$ 1,122,874
2023	653,318	463,970	1,117,288
2024	577,500	447,568	1,025,068
2025	630,000	433,206	1,063,206
2026	743,750	313,521	1,057,271
2027-2031	3,181,250	1,275,404	4,456,654
2032-2036	2,915,000	738,370	3,653,370
2037-2041	1,436,250	315,537	1,751,787
2042-2046	735,000	136,745	871,745
2047-2051	815,000	55,424	870,424
	<u>\$ 12,323,985</u>	<u>\$ 4,665,702</u>	<u>\$ 16,989,687</u>

Note 9: Long-Term Debt – Economic Development Corporation

On April 20, 2018, the EDC issued a 2018 Sales Tax Note with GCC for the purpose of acquiring land. Per the agreement, contract #8135 with GCC requires payments to be remitted to GCC in the original principal amount of \$113,500. The note is payable in annual installments of principal and interest in the amount of \$14,968 beginning April 20, 2019 through the maturity date of April 20, 2028. The note has an interest rate of 5.376%. The outstanding principal balance of the note payable at September 30, 2021 is \$85,444

On March 26, 2020, the EDC issued the 2020 Series Sales Tax Revenue Bonds in the original principal amount of \$2,160,000. The proceeds were utilized for the purpose of capital improvements in the City. The bond principal is payable in annual installments ranging from \$5,000 to \$150,000 and interest is payable in biannual installments ranging from \$3,750 to \$86,972 beginning on February 15, 2021 through the maturity date of August 15, 2045. In conjunction with the issuance of the 2020 Series Sales Tax Revenue Bonds, a bond discount was issued in the amount of \$22,669. The bond discount will be amortized over the life of the bond. The outstanding principal balance of the bond payable and the bond discount at September 30, 2021 is

Principal	<u>\$2,155,000</u>
Discount	<u>(\$20,855)</u>

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

The principal and interest requirements related to the EDC notes and bonds payable at September 30, 2021 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 55,376	\$ 141,170	\$ 196,546
2023	55,932	102,568	158,500
2024	61,520	100,436	161,956
2025	62,140	98,273	160,413
2026	62,792	95,904	158,696
2027-2031	367,685	440,053	807,738
2032-2036	450,000	360,575	810,575
2037-2041	565,000	252,950	817,950
2042-2045	560,000	106,000	666,000
	<u>\$ 2,240,444</u>	<u>\$ 1,697,929</u>	<u>\$ 3,938,373</u>

Note 10: Other Information

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, injuries to employees; and natural disaster. The City purchases commercial insurance through Texas Municipal League. The City retains no risk of loss for these coverages. The City accounts for risk management issues in accordance with GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues."

Restricted Assets

The governmental funds have restricted cash for debt service and capital projects in the amount of \$490,685 and \$4,861,514 respectively, at September 30, 2021. The Water and Sewer Fund has restricted cash held in trust by GTUA in amount of \$5,384,941 at September 30, 2021 that will be used for water and sewer system capital improvements and repayment of contractual obligation.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Note 11: Pension Plan

Plan Description

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code.

TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.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 benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. Plan provisions for the City were as follows:

Employee deposit rate	6%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	Vested and age 60 or 20 years and any age
Updated service credits	Last adopted 2000 - auto readoption - 100% - transfers
Cost of Living Adjustment	Last adopted 2000 - auto readoption - 70%

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	69
Active employees	47
	<hr/>
	138

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, 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 (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.75% and 9.96% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$266,883 and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions:

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

Inflation	2.50% per year
Overall Payroll Growth	3.5-11.5% per year, including inflation
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, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

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

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees.

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 arithmetic real rates of return for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total:	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. 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 pension plan's 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 Total Pension Liability.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$1,645,644	\$471,600	(\$442,123)

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2019	\$ 5,397,579	\$ 4,928,611	\$ 468,968
Changes for the year:			
Service cost	343,787	-	343,787
Interest	369,939	-	369,939
Change of benefit terms	-	-	-
Difference between expected and actual experience	41,960	-	41,960
Changes of assumptions	-	-	-
Contributions - employer	-	236,252	(236,252)
Contributions - employee	-	145,364	(145,364)
Net investment income	-	373,953	(373,953)
Benefit payments, including refunds of employee contributions	(177,782)	(177,782)	-
Administrative expense	-	(2,421)	2,421
Other changes	-	(94)	94
Net changes	\$ 577,904	\$ 575,272	\$ 2,632
Balance at 12/31/2020	\$ 5,975,483	\$ 5,503,883	\$ 471,600

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

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

For the year ended September 30, 2021, the City recognized pension expense of \$193,715. The calculation and amount are provided in the TMRS Reporting Package. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ 63,092	\$ -
Changes in actuarial assumptions	2,027	-
Differences between projected and actual investment earnings	-	(138,412)
Contributions subsequent to the measurement date	200,373	-
Total	<u>\$ 265,492</u>	<u>\$ (138,412)</u>

\$200,373 reported as deferred outflow of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Net Deferred (Inflows) Outflows of Resources
2022	\$ (18,298)
2023	24,629
2024	(71,369)
2025	(8,255)
2026	-
Thereafter	-
Total	<u>\$ (73,293)</u>

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Note 12: Other Post-Employment Benefits (OPEB) Plan

Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("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 City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer other postemployment benefit plan (OPEB) (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

Benefits Provided

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 another post-employment benefit ("OPEB") and is a fixed amount of \$7,500.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	12
Active employees	47
Total:	72

Contributions

The member city contributes to the SDBF at a contractually required rate 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.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city.

There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The City's contributions to the SDBF for the year ended September 30, 2021 were \$4,781, and were equal to the required contributions. The contribution rates to the SDBF for the City are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2020	0.17%	0.04%
2021	0.18%	0.09%

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Actuarial Assumptions:

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

Inflation:	2.5% per year
Salary increases:	3.5% to 11.5%, including inflation
Discount rate:	2.00%
Retirees share of benefit-related costs:	\$0
Health care of cost trend rates:	Not disclosed as the plan only provides SDB.
Administrative expenses:	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality:	
Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale
Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disable 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 actuarial assumptions used in the December 31, 2019; valuation was developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal Actuarial Cost Method.

Discount Rate:

A single discount rate of 2.00% was used to measure the Total OPEB Liability and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

City of Van Alstyne, Texas
Notes to the Financial Statements
September 30, 2021

Changes in Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2019	\$ 85,752
Changes for the year:	
Service cost	7,026
Interest on Total OPEB Liability	2,441
Change of benefit terms	-
Difference between expected and actual experience	9,148
Changes of assumptions or other inputs	18,324
Benefit payments	(969)
Net changes	35,970
Balance at 12/31/2020	\$ 121,722

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.00%) or 1 percentage-point higher (3.00%) than the current rate:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
\$154,211	\$121,722	\$98,172

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$17,559. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ 2,534	\$ -
Changes of assumptions	25,350	-
Contributions made subsequent to measurement date	3,621	-
	<u>\$ 31,505</u>	<u>\$ -</u>

The \$3,621 in contributions made after the measurement date of the total OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period. The other amounts reported as deferred outflows and (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	Net Deferred (Inflows) Outflows of Resources
2022	\$ 4,942
2023	4,899
2024	3,867
2025	5,341
2026	4,979
Thereafter	3,856
Total	<u>\$ 27,884</u>

City of Van Alstyne, Texas

Notes to the Financial Statements

September 30, 2021

Note 13: Prior Period Adjustment

During fiscal year 2021, the City became aware of an error in the accounts payable system in the previous year and recorded a prior period adjustment in the General Fund to correct this error in beginning balances. Also, the City implemented inventory policies and procedures during the current year and recorded this balance, this resulted in a prior period adjustment in the Water and Sewer Fund.

	General Fund	Water and Sewer Fund
Beginning balances as previously reported	\$ 1,709,384	\$ 12,120,835
Prior period adjustment	21,884	54,992
Restated beginning balances	<u>\$ 1,731,268</u>	<u>\$ 12,175,827</u>

Note 14: Subsequent Events

Management has evaluated all events or transactions that occurred after September 30, 2021 up through the date of the auditor's report on page one. This is the date the financial statements were available for issuance. Management has identified no subsequent events, except as follows:

On May 11, 2022 the City issued Combination Tax and Revenue Bonds Series 2022 in the amount of \$3,540,000. The proceeds were for the construction of Hynds Park. The 2022 bonds have an interest rate that varies from 2.00% to 3.820%. The 2022 Series bonds require interest payments beginning February 15, 2023 through the maturity date of February 15, 2047. The first principal payments will be due in fiscal year 2023 in the amount of \$45,000.

On May 31, 2022, the EDC issued the Van Alstyne Economic Development Corporation Sales Tax Revenue Bonds, Series 2022 in the amount of \$2,820,000 for land acquisition. The 2022 bonds have an interest rate that varies from 5.00% to 5.75%. The 2022 Series bonds require interest payments beginning August 15, 2022 through the maturity date of August 15, 2052. The first principal payments will be due in fiscal year 2023.

REQUIRED SUPPLEMENTARY INFORMATION

City of Van Alstyne, Texas
General Fund Budgetary Comparison
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes:				
Property	\$ 1,770,041	\$ 1,772,329	\$ 1,760,538	\$ (11,791)
General sales and use	1,190,000	1,610,152	1,767,381	157,229
Franchise	195,000	230,000	239,992	9,992
Ambulance services	571,607	802,017	777,730	(24,287)
Municipal court	699,600	477,674	290,321	(187,353)
License and permits	802,467	1,242,730	1,272,031	29,301
Intergovernmental	1,500	2,650	2,629	(21)
Fines and forfeitures	88,473	136,587	134,153	(2,434)
Donations	25,680	120,000	129,853	9,853
Grants	58,564	265,952	266,021	69
Other income	32,750	40,434	47,465	7,031
Investment earnings	4,788	6,873	7,672	799
Library	6,540	6,020	7,077	1,057
Total Revenues	<u>5,447,010</u>	<u>6,713,418</u>	<u>6,702,863</u>	<u>(10,555)</u>
EXPENDITURES				
Current:				
General government	879,352	1,013,120	855,580	157,540
Development	728,789	754,998	855,001	(100,003)
Police	1,134,242	1,189,455	1,131,355	58,100
Fire protection and ambulance	1,067,842	1,069,895	1,027,239	42,656
Municipal court	391,296	396,608	143,902	252,706
Emergency communications	264,455	264,417	253,382	11,035
Library	272,573	266,511	250,101	16,410
Parks	279,634	485,746	402,856	82,890
Streets and infrastructure	65,045	67,045	85,793	(18,748)
Debt Service:				
Principal	98,284	94,698	94,698	-
Interest	8,628	12,214	12,214	-
Capital Outlay:				
Parks	154,067	171,067	227,120	(56,053)
Public safety	83,564	232,064	230,967	1,097
General government	-	-	41,915	(41,915)
Library	-	-	20,550	(20,550)
Total Expenditures	<u>5,427,771</u>	<u>6,017,838</u>	<u>5,632,673</u>	<u>385,165</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>19,239</u>	<u>695,580</u>	<u>1,070,190</u>	<u>374,610</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital assets	-	-	29,000	29,000
Total Other Financing Sources (Uses)	-	-	29,000	29,000
Net Change in Fund Balances	<u>\$ 19,239</u>	<u>\$ 695,580</u>	<u>\$ 1,099,190</u>	<u>\$ 403,610</u>

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

City of Van Alstyne, Texas

Schedule of Changes in Net Pension Liability and Related Ratios ¹

Texas Municipal Retirement System

Last Ten Measured Years

	2020	2019	2018
Total pension liability			
Service Cost	\$ 343,787	\$ 282,563	\$ 220,227
Interest (on the Total Pension Liability)	369,939	333,495	307,269
Changes of benefit terms	-	-	-
Difference between expected and actual experience	41,960	71,428	(19,379)
Change of assumptions	-	4,455	-
Benefit payments, including refunds of employee contributions	(177,782)	(187,492)	(114,022)
Net Change in Total Pension Liability	577,904	504,449	394,095
Total Pension Liability - Beginning	5,397,579	4,893,130	4,499,035
Total Pension Liability - Ending (a)	<u>\$ 5,975,483</u>	<u>\$ 5,397,579</u>	<u>\$ 4,893,130</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 236,252	\$ 198,688	\$ 172,549
Contributions - Employee	145,364	123,390	97,302
Net Investment Income	373,953	641,983	(123,481)
Benefit payments, including refunds of employee contributions	(177,782)	(187,492)	(114,022)
Administrative Expense	(2,421)	(3,630)	(2,389)
Other	(94)	(109)	(125)
Net Change in Plan Fiduciary Net Position	575,272	772,830	29,834
Plan Fiduciary Net Position - Beginning	4,928,611	4,155,781	4,125,947
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,503,883</u>	<u>\$ 4,928,611</u>	<u>\$ 4,155,781</u>
Net Pension Liability - Ending (a) - (b)	471,600	468,968	737,349
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.11%	91.31%	84.93%
Covered Payroll	\$ 2,422,738	\$ 2,056,496	\$ 1,621,705
Net Pension Liability as a Percentage of Covered Payroll	19.47%	22.80%	45.47%

NOTES TO SCHEDULE OF NET PENSION LIABILITY

¹ The schedule above reflects the changes in the net pension liability for the current year and the last ten years. GASB 68 requires ten fiscal years of data to be provided in this schedule. However, until a full ten-year trend is compiled, only available information is shown.

2017	2016	2015	2014
\$ 226,715	\$ 197,874	\$ 188,085	\$ 174,573
288,734	262,778	253,994	232,187
-	-	-	-
(129,120)	23,275	(32,674)	18,835
-	-	(10,791)	-
(102,951)	(124,694)	(153,259)	(88,387)
283,378	359,233	245,355	337,208
4,215,657	3,856,424	3,611,069	3,273,861
<u>\$ 4,499,035</u>	<u>\$ 4,215,657</u>	<u>\$ 3,856,424</u>	<u>\$ 3,611,069</u>
\$ 173,050	\$ 150,448	\$ 139,552	\$ 120,262
99,074	85,970	80,839	82,639
481,310	212,855	4,556	160,990
(102,951)	(124,694)	(153,259)	(88,387)
(2,498)	(2,409)	(2,775)	(1,680)
(127)	(130)	(137)	(138)
647,858	322,040	68,776	273,686
3,478,089	3,156,049	3,087,273	2,813,587
<u>\$ 4,125,947</u>	<u>\$ 3,478,089</u>	<u>\$ 3,156,049</u>	<u>\$ 3,087,273</u>
373,088	737,568	700,375	523,796
91.71%	82.50%	81.84%	85.49%
\$ 1,651,240	\$ 1,432,831	\$ 1,347,317	\$ 1,377,309
22.59%	51.48%	51.98%	38.03%

City of Van Alstyne, Texas
Schedule of Contributions to Pension Plan¹
Texas Municipal Retirement System
Last Ten Fiscal Years

	2021	2020	2019
Actuarially Determined Contribution	\$ 266,883	\$ 225,738	\$ 196,306
Contributions in relation to the actuarially determined	<u>266,883</u>	<u>225,738</u>	<u>196,306</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 2,921,561	\$ 2,320,611	\$ 1,980,968
Contributions as a percentage of covered payroll	9.13%	9.73%	9.91%

NOTES TO SCHEDULE OF CONTRIBUTIONS TO PENSION PLAN

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale

Other Information:

Notes There were no benefit changes during the year.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 170,563	\$ 161,434	\$ 148,430	\$ 139,552
<u>170,563</u>	<u>161,434</u>	<u>148,430</u>	<u>139,552</u>
\$ -	\$ -	\$ -	\$ -
\$ 1,591,167	\$ 1,522,643	\$ 1,432,831	\$ 1,347,317
10.72%	10.60%	10.36%	10.36%

City of Van Alstyne, Texas

Schedule of Changes in Total OPEB Liability and Related Ratios¹ Texas Municipal Retirement System Last Ten Measured Years

	2020	2019	2018	2017
Total OPEB liability				
Service Cost	\$ 7,026	\$ 3,290	\$ 3,568	\$ 3,137
Interest (on the Total OPEB Liability)	2,441	2,685	2,526	2,434
Effect of plan changes	-	-	-	-
Differences between expected and actual experience	9,148	(4,994)	(3,609)	-
Changes in assumptions or other inputs	18,324	14,467	(5,570)	6,809
Benefit payments	(969)	(823)	(649)	(660)
Net Change in Total OPEB Liability	35,970	14,625	(3,734)	11,720
Total OPEB Liability - Beginning	85,752	71,127	74,861	63,141
Total OPEB Liability - Ending (a)	\$ 121,722	\$ 85,752	\$ 71,127	\$ 74,861
Covered Payroll	\$ 2,422,738	\$ 2,056,496	\$ 1,621,705	\$ 1,651,240
Total OPEB Liability as a Percentage of Covered Payroll	5.02%	4.17%	4.39%	4.53%

NOTES TO SCHEDULE OF TOTAL OPEB LIABILITY

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

City of Van Alstyne, Texas
Schedule of Contributions to OPEB Plan¹
Texas Municipal Retirement System
Last Ten Fiscal Years

	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 4,781	\$ 3,771	\$ 2,723	\$ 2,021
Contributions in relation to the actuarially determined contribution	4,781	3,771	2,723	2,021
Contribution deficiency (excess)	-	-	-	-
Covered payroll	\$ 2,921,561	\$ 2,320,611	\$ 1,980,968	\$ 1,591,167
Contributions as a percentage of covered payroll	0.2%	0.2%	0.1%	0.1%

NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

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

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality:	
Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

Notes: There were no benefit changes during the year.



OTHER SUPPLEMENTARY INFORMATION

City of Van Alstyne, Texas
Van Alstyne Economic Development Corporation
Balance Sheet - Discretely Presented Component Unit
September 30, 2021

Assets

Cash and cash equivalents	\$ 559,351
Receivables, net	77,484
Total Assets	<u>636,835</u>

Liabilities

Accounts payable	-
Accrued liabilities and other payables	2,369
Total Liabilities	<u>2,369</u>

Fund Balances

Restricted - economic development	634,466
Total Fund Balances	<u>634,466</u>

Total Liabilities and Fund Balances	<u>\$ 636,835</u>
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City of Van Alstyne, Texas
 Van Alstyne Economic Development Corporation
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
 Discretely Presented Component Unit
 September 30, 2021

Fund Balances - Discretely Presented Component Unit	\$ 634,466
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	2,374,789
Long term liabilities, including bonds payable and compensated absences, are not due and payable in the current period. Therefore, they are not reported in the governmental funds.	(2,219,589)
Payables for bond interest which are not due in the current period are not reported in the funds.	(14,298)
Net Position of Discretely Presented Component Unit - Statement of Net Position	<u><u>\$ 775,368</u></u>

City of Van Alstyne, Texas
Van Alstyne Economic Development Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit
For the Year Ended September 30, 2021

Revenue

Taxes:

Sales	\$ 353,476
Miscellaneous	16,464
Interest revenue	1,420
Total Revenues	<u>371,360</u>

Expenditures

Current:

Development services	165,423
Debt service:	
Principal retirement	14,846
Interest expense and fiscal charges	140,263
Capital outlay	685,143
Total Expenditures	<u>1,005,675</u>
Excess (Deficiency) of Revenues	
Over (Under) Expenditures	(634,315)

Other Financing Sources (Uses)

Proceeds from sale of asset	296,767
Total Other Financing Sources (Uses)	<u>296,767</u>

Net Change in Fund Balances (337,548)

Fund Balances - Beginning	972,014
Fund Balances - Ending	<u><u>\$ 634,466</u></u>

City of Van Alstyne, Texas
Van Alstyne Economic Development Corporation
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Discretely Presented Component Unit
For the Year Ended September 30, 2021

Net Change in Fund Balances - Discretely Presented Component Unit	\$ (337,548)
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Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	685,143
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Gain on the sale of capital assets recorded in governmental activities is not recorded in the funds.	(159,971)
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The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,357)
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Governmental funds repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, the amounts are deferred and amortized in the Statement of Activities.

Long-term debt repaid in current year	13,940
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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 the governmental funds.

Accrued interest	31,322
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Change in Net Position of the Discretely Presented Component Unit	\$ 230,529
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City of Van Alstyne, Texas
Van Alstyne Economic Development Corporation
Budgetary Comparison Schedule - Discretely Presented Component Unit
For the Year Ended September 30, 2021

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes:				
Sales taxes	\$ 209,009	\$ 209,009	\$ 353,476	\$ 144,467
Interest revenue	1,200	1,200	1,420	220
Other	9,800	9,800	16,464	6,664
Total Revenues	<u>220,009</u>	<u>220,009</u>	<u>371,360</u>	<u>151,351</u>
Expenditures				
Current:				
Development services	91,463	91,463	165,423	73,960
Debt service:				
Principal	14,343	14,343	14,846	503
Interest expense and fiscal charges	141,672	141,672	140,263	(1,409)
Capital Outlay	790,000	790,000	685,143	(104,857)
Total Expenditures	<u>1,037,478</u>	<u>1,037,478</u>	<u>1,005,675</u>	<u>(31,803)</u>
Revenues Over (Under) Expenditures	(817,469)	(817,469)	(634,315)	119,548
Other Financing Sources (Uses)				
Proceeds from sale of asset	-	-	296,767	296,767
Issuance of debt	790,000	790,000	-	(790,000)
Total Other Financing Sources	<u>790,000</u>	<u>790,000</u>	<u>296,767</u>	<u>(493,233)</u>
Net Change in Fund Balances	(27,469)	(27,469)	(337,548)	(373,685)
Fund Balances - Beginning	972,014	972,014	972,014	
Fund Balances - Ending	<u>\$ 944,545</u>	<u>\$ 944,545</u>	<u>\$ 634,466</u>	

City of Van Alstyne, Texas
Van Alstyne Community Development Corporation
Balance Sheet - Discretely Presented Component Unit
September 30, 2021

Assets

Cash and cash equivalents	\$	422,736
Accounts receivable		74,086
Total Assets		<u>496,822</u>

Liabilities

Accounts payable	-
Accrued liabilities and other payables	-
Total Liabilities	<u>-</u>

Fund Balances

Restricted - community development	496,822
Total Fund Balances	<u>496,822</u>

Total Liabilities and Fund Balances	\$	<u>496,822</u>
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City of Van Alstyne, Texas
Van Alstyne Community Development Corporation
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
Discretely Presented Component Unit
September 30, 2021

Fund Balances - Total Discretely Presented Component Unit	\$ 496,822
Amounts reported for component unit activities in the Statement of Net Position that are different at the fund level.	-
Net Position of Discretely Presented Component Unit - Statement of Net Position	<u><u>\$ 496,822</u></u>

City of Van Alstyne, Texas
Van Alstyne Community Development Corporation
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Discretely Presented Component Unit
For the Year Ended September 30, 2021

Revenues

Taxes:

Sales	\$ 353,476
Other income	36,217
Interest revenue	698
Total Revenues	<u>390,391</u>

Expenditures

Current:

Community development	140,503
Salaries	93,353
Advertising	17,744
Professional fees	4,388
Rent	5,915
Miscellaneous	2,218
Utilities	1,310
Maintenance & repairs	523

Total Expenditures	<u>265,954</u>
Excess (Deficiency) of Revenues	
Over (Under) Expenditures	124,437

Net Change in Fund Balances 124,437

Fund Balances -Beginning	<u>372,385</u>
Fund Balances - Ending	<u>\$ 496,822</u>

City of Van Alstyne, Texas
Van Alstyne Community Development Corporation
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Discretely Presented Component Unit
For the Year Ended September 30, 2021

Net Change in Fund Balances - Discretely Presented Component Unit	\$ 124,437
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Amounts reported for governmental activities in the Statement of Activities are different because at the fund level.

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Change in Net Position of the Discretely Presented Component Unit	<u>\$ 124,437</u>
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City of Van Alstyne, Texas
Van Alstyne Community Development Corporation
Budgetary Comparison Schedule - Discretely Presented Component Unit
For the Year Ended September 30, 2021

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes:				
Sales taxes	\$ 242,440	\$ 242,440	\$ 353,476	\$ 111,036
Other income	-	-	\$ 36,217	36,217
Interest revenue	1,500	1,500	698	(802)
Total Revenues	<u>243,940</u>	<u>243,940</u>	<u>390,391</u>	<u>146,451</u>
Expenditures				
Current:				
Community development	136,044	136,044	140,503	4,459
Salaries	114,000	114,000	93,353	(20,647)
Advertising	15,876	15,876	17,744	1,868
Professional fees	6,390	6,390	4,388	(2,002)
Rent	7,200	7,200	5,915	(1,285)
Miscellaneous	3,490	3,490	2,218	(1,272)
Utilities	3,300	3,300	1,310	(1,990)
Maintenance & repairs	3,000	3,000	523	(2,477)
Supplies	-	-	-	-
Total Expenditures	<u>289,300</u>	<u>289,300</u>	<u>265,954</u>	<u>(23,346)</u>
Revenues Over (Under) Expenditures	(45,360)	(45,360)	124,437	123,105
Net Change in Fund Balances	(45,360)	(45,360)	124,437	123,105
Fund Balances -Beginning	<u>372,385</u>	<u>372,385</u>	<u>372,385</u>	
Fund Balances - Ending	<u>\$ 327,025</u>	<u>\$ 327,025</u>	<u>\$ 496,822</u>	