

City of Van Alstyne, Texas
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2022

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City of Van Alstyne, Texas
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2022

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the City Council of the
City of Van Alstyne, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note I to the basic financial statements, during the year ended September 30, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and TMRS pension and OPEB information, on pages 5-10 and 49-55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying discretely presented component unit fund financial statements and budgetary comparison schedules on pages 71-74 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Vail + Park, P.C.

Tom Bean, Texas
July 11, 2023

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City of Van Alstyne, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

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, 2022. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of FY22 by \$47,588,717. This is an increase of \$7,684,397 over FY21's restated net position value of \$39,904,320. Unrestricted net position at the close of FY22 is \$8,719,498, which is an increase of \$4,231,928 from FY21's unrestricted net position of \$4,487,570.
- The City's total net position increased by \$7,684,397 or 16%, as a result of this year's operations and \$4,521,222 of capital grants and contributions.
- The City's governmental fund types reported combined ending fund balances of \$14,761,148, which is an increase of \$7,298,831 in comparison with the prior year fund balance of \$7,462,317.
- The unassigned governmental fund balances of \$3,758,796 (25%) 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 2022, the General Fund had approximately \$690,572 in monthly expenses, so the unassigned fund balance of \$3,758,796 represents 5.44 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. 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.

The fund financial statements 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 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 11. 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. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

City of Van Alstyne, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

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 on 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 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.

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.

City of Van Alstyne, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

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 \$47,588,717 at the close of FY22. Seventy-eight percent (78%) 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, 2022:

City of Van Alstyne - Statement of Net Position

	<u>FY22</u>	<u>FY21</u>
Current and other assets	\$30,573,815	\$17,808,949
Capital assets	52,897,667	44,307,775
Total assets	<u>83,471,482</u>	<u>62,116,724</u>
Deferred outflow of resources	429,238	296,997
Total deferred outflow of resources	<u>429,238</u>	<u>296,997</u>
Current liabilities	4,976,530	3,711,576
L-T liabilities	30,969,082	19,348,535
Total liabilities	<u>35,945,612</u>	<u>23,060,111</u>
Deferred inflow of resources	366,391	138,412
Total deferred outflow of resources	<u>366,391</u>	<u>138,412</u>
Net position		
Net investment in capital assets	37,190,774	28,810,622
Restricted	1,678,445	5,917,006
Unrestricted	8,719,498	4,487,570
Total net position	<u>\$ 47,588,717</u>	<u>\$ 39,215,198</u>

City of Van Alstyne, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

City of Van Alstyne - Statement of Activities

Revenues:	<u>FY22</u>	<u>FY21</u>
Program revenues	\$ 10,374,788	\$ 8,794,114
Operating grants and contributions	128,797	451,213
Capital grants and contributions	4,521,222	11,517,612
General revenues	<u>6,089,403</u>	<u>4,747,378</u>
Total revenues	<u>21,114,210</u>	<u>25,510,317</u>
Expenses:		
Water, sewer, and sanitation	4,357,712	2,904,999
General government	1,544,242	843,631
Development	1,408,470	853,293
Police and communications	1,736,097	1,457,586
Fire protection and ambulance	1,511,602	1,137,494
Municipal court	170,257	141,802
Streets and infrastructure	1,052,150	786,443
Parks	578,797	541,570
Library	343,683	256,353
Interest	<u>726,803</u>	<u>161,841</u>
Total expenses	<u>13,429,813</u>	<u>9,085,012</u>
Increase in net position	7,684,397	16,425,305
Net position - beginning of year, as restated	<u>39,904,320</u>	<u>22,789,893</u>
Net position - end of year	<u>\$ 47,588,717</u>	<u>\$ 39,215,198</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Net position of the City's governmental activities increased from \$19,124,275 to \$23,590,286. \$3,877,665 of the increase in net position of governmental activities is attributable to an increase in capital grants and contributions. 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 \$2,371,523, which is a decrease from FY21 unrestricted net position of \$2,682,366.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's Governmental funds reported a combined fund balance of \$14,761,148 compared to \$7,462,317 in FY21. This represents an increase of \$7,298,831 due in large part to an increase in other financing sources related to the Series 2021 and 2022 Certificates of Obligation issuance.

Revenues and other financing sources for the City's General Fund were \$9,350,939 while total expenditures were \$8,286,868. This resulted in an excess of revenues over expenditures in the amount of \$1,064,071 from current operations. Last year's result was an excess of revenues over expenditures in the amount of \$1,070,190.

City of Van Alstyne, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

The City's Water and Sewer Funds reported a net position of \$23,998,431 compared to the restated net position \$20,780,045 in FY21. This represents an increase of \$3,218,386.

Revenues for the City's Water and Sewer Fund were \$6,586,240 while total operating expenses were \$3,674,488. These totals plus non-operating items resulted in an increase in net position of \$3,218,386. Last year's result was a net increase of \$7,915,096. FY21 unrestricted net position of \$1,805,204 was increased to \$6,347,975 in FY22. This represents 21 months of reserves.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted budget for the General Fund was amended, as presented on the General Fund Budgetary Comparison. 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 FY22:

Revenues were \$50,327 less than budgeted

- Court revenues were \$95,704 (17%) less than budgeted because violation receipts were less than anticipated and the City adjusted revenue for payments remitted to the State.

Expenditures were \$122,131 more than budgeted

- Development expenses were \$257,338 (23%) more than budgeted because of ongoing capital projects in fiscal year 2022.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets net of accumulated depreciation and amortization for all activities as of September 30, 2022 amounts to \$52,897,667, compared to \$44,307,775 at September 30, 2021. 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 \$4,521,222.

Long-Term Debt

At year-end, the City had total contractual obligations, bonds, notes, leases, and other debt outstanding of \$31,467,597. The City entered into new debt during the year in the original principal amount of \$12,765,129 for new public safety equipment, streets and infrastructure improvements, water and sewer system improvements, and a building lease (implemented GASB 87 – Leases).

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. The continued increase in real estate property valuations and growth due to ongoing residential development allowed the city to provide for property tax rate reductions. We anticipate this trend of providing reductions will continue into the next budget year.

City of Van Alstyne, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

- Sales tax collections, while slowing from prior year rapid pace of growth, will continue to show year over year improvements. Population growth is the primary driver presently and with the large number of residential developments within the Van Alstyne boundaries, we expect to see interest from large scale retail soon.
- New home development continues in Van Alstyne and while we have experienced a slowdown in housing permits, available inventory sells quickly prompting developers to “pick up the pace”. With Texas Instruments opening a large facility just a few miles north of Van Alstyne, we expect demand for new home construction will continue.

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, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
ASSETS					
Cash and cash equivalents	\$ 19,088,036	\$ 3,976,998	\$ 23,065,034	\$ 2,748,427	\$ 775,663
Receivables, net	1,124,644	744,412	1,869,056	88,948	83,527
Internal balances	(3,078,619)	3,078,619	-	-	-
Inventory	-	94,056	94,056	-	-
Restricted Assets:					
Deposits held in trust by GTUA	-	5,545,669	5,545,669	-	-
Capital assets:					
Non depreciable	10,412,632	911,396	11,324,028	3,356,361	-
Depreciable (net)	15,225,359	26,193,908	41,419,267	36,828	-
Right to use asset (net)	154,372	-	154,372	-	-
Total Assets	<u>42,926,424</u>	<u>40,545,058</u>	<u>83,471,482</u>	<u>6,230,564</u>	<u>859,190</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - OPEB	25,448	4,094	29,542	-	-
Deferred outflows - pension	344,310	55,386	399,696	-	-
Total Deferred Outflows of Resources	<u>369,758</u>	<u>59,480</u>	<u>429,238</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable	1,032,859	465,973	1,498,832	2,911	1,085
Accrued liabilities	71,737	17,985	89,722	4,285	-
Accrued interest	173,163	526,150	699,313	21,004	-
Customer deposits	-	382,966	382,966	-	-
Unearned revenue	856,794	42,028	898,822	-	-
Long term liabilities:					
Due within one year:					
Debt	582,582	702,065	1,284,647	77,377	-
Compensated absences	111,444	10,784	122,228	-	-
Due in more than one year:					
Debt	15,884,498	14,298,452	30,182,950	4,827,885	-
Total OPEB liability	115,336	18,553	133,889	-	-
Net pension liability	561,862	90,381	652,243	-	-
Total Liabilities	<u>19,390,275</u>	<u>16,555,337</u>	<u>35,945,612</u>	<u>4,933,462</u>	<u>1,085</u>
DEFERRED INFLOW OF RESOURCES					
Deferred inflow - OPEB	482	77	559	-	-
Deferred inflow - pension	315,139	50,693	365,832	-	-
Total Deferred Inflows of Resources	<u>315,621</u>	<u>50,770</u>	<u>366,391</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	19,540,318	17,650,456	37,190,774	793,776	-
Restricted for:					
Capital projects	856,794	-	856,794	-	-
Debt service	387,013	-	387,013	-	-
Court security and technology	57,016	-	57,016	-	-
Police seizure	34,204	-	34,204	-	-
Streets	298,905	-	298,905	-	-
Insurance	44,499	-	44,499	-	-
Library technology	14	-	14	-	-
Unrestricted	2,371,523	6,347,975	8,719,498	503,326	858,105
Total Net Position	<u>\$ 23,590,286</u>	<u>\$ 23,998,431</u>	<u>\$ 47,588,717</u>	<u>\$ 1,297,102</u>	<u>\$ 858,105</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, 2022

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	
Primary Government:							
Governmental Activities:							
General government	\$ 1,544,242	\$ 480,356	\$ 57,350	\$ -	\$ (1,006,536)		\$ (1,006,536)
Development	1,408,470	2,060,154	-	-	651,684		651,684
Police	1,442,296	126,597	1,695	-	(1,314,004)		(1,314,004)
Fire protection and ambulance	1,511,602	1,023,678	22,441	-	(465,483)		(465,483)
Municipal court	170,257	218,210	-	-	47,953		47,953
Streets and infrastructure	1,052,150	42,012.00	-	3,877,665	2,867,527		2,867,527
Emergency communications	293,801	-	-	-	(293,801)		(293,801)
Parks	578,797	-	28,338	-	(550,459)		(550,459)
Library	343,683	8,865	18,973	-	(315,845)		(315,845)
Interest and fiscal charges	726,803	-	-	-	(726,803)		(726,803)
Total Governmental Activities	9,072,101	3,959,872	128,797	3,877,665	(1,105,767)		(1,105,767)
Business-Type Activities:							
Water, sewer, and sanitation	4,357,712	6,414,916	-	643,557	-	\$ 2,700,761	2,700,761
Total Business-Type Activities	4,357,712	6,414,916	-	643,557	-	2,700,761	2,700,761
Total Primary Government	13,429,813	10,374,788	128,797	4,521,222	(1,105,767)	2,700,761	1,594,994
Component Units:							
Economic Development Corporation	\$ 388,460	\$ -	\$ -	\$ -		\$ (388,460)	\$ (388,460)
Community Development Corporation	197,454	-	-	-		-	(197,454)
Total Component Units	585,914	-	-	-			
General Revenues:							
Property taxes					2,592,231	-	2,592,231
General sales and use taxes					2,944,061	-	2,944,061
Franchise taxes					274,624	-	274,624
Gain (loss) on sale of assets					-	-	-
Miscellaneous					-	171,324	171,324
Investment earnings					50,878	56,285	107,163
Transfers in (out)					(290,016)	290,016	-
Total General Revenues					5,571,778	517,625	6,089,403
Change in Net Position					4,466,011	3,218,386	7,684,397
Net Position- Beginning, as Restated					19,124,275	20,780,045	39,904,320
Net Position - Ending					\$ 23,590,286	\$ 23,998,431	\$ 47,588,717

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, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Street Sales Tax Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,879,349	\$ 357,221	\$ 14,584,107	\$ 267,359	\$ 19,088,036
Due from other funds	96,684	28,684	-	-	125,368
Receivables, net of allowance	1,021,986	18,821	-	83,837	1,124,644
Total Assets	<u>4,998,019</u>	<u>404,726</u>	<u>14,584,107</u>	<u>351,196</u>	<u>20,338,048</u>
LIABILITIES					
Accounts payable	607,449	-	407,860	17,550	1,032,859
Accrued liabilities	71,737	-	-	-	71,737
Unearned revenue	-	-	856,794	-	856,794
Due to other funds	30,494	-	3,138,752	34,741	3,203,987
Total Liabilities	<u>709,680</u>	<u>-</u>	<u>4,403,406</u>	<u>52,291</u>	<u>5,165,377</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues:					
Ambulance	309,788	-	-	-	309,788
Property taxes	65,285	17,713	-	-	82,998
Court fines	18,737	-	-	-	18,737
Total Deferred Inflows of Resources	<u>393,810</u>	<u>17,713</u>	<u>-</u>	<u>-</u>	<u>411,523</u>
FUND BALANCES					
Restricted for:					
Capital projects	-	-	10,180,701	-	10,180,701
Debt service	-	387,013	-	-	387,013
Court security and technology	57,016	-	-	-	57,016
Police seizure	34,204	-	-	-	34,204
Streets	-	-	-	298,905	298,905
Insurance	44,499	-	-	-	44,499
Library technology	14	-	-	-	14
Unassigned	3,758,796	-	-	-	3,758,796
Total Fund Balances	<u>3,894,529</u>	<u>387,013</u>	<u>10,180,701</u>	<u>298,905</u>	<u>14,761,148</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,998,019</u>	<u>\$ 404,726</u>	<u>\$ 14,584,107</u>	<u>\$ 351,196</u>	<u>\$ 20,338,048</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, 2022

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

Total Fund Balances - Governmental Funds	\$ 14,761,148
Capital and right to use assets used in governmental activities are not financial resources. Therefore, they are not reported in the governmental funds.	25,792,363
Delinquent property taxes, ambulance revenue, and court fines are not current financial resources. Therefore, they are deferred in the governmental funds.	411,523
Long term liabilities, including bonds payable, lease liabilities, and compensated absences, are not due and payable in the current period. Therefore, they are not reported in the governmental funds.	(16,578,524)
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.	(173,163)
Net pension liability is not a current financial use; therefore, it is not reported in the governmental funds.	(561,862)
Total OPEB liability is not a current financial use; therefore, it is not reported in the governmental funds.	(115,336)
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	29,171
OPEB amounts	24,966
Net Position of Governmental Activities	\$ 23,590,286

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 FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Street Sales Tax Fund	Total Governmental Funds
REVENUES					
Taxes:					
General sales and use	\$ 2,453,384	\$ -	\$ -	\$ 490,677	\$ 2,944,061
Property	2,169,719	418,237	-	-	2,587,956
Franchise	274,624	-	-	-	274,624
License and permits	2,512,508	-	-	-	2,512,508
Donations	86,458	-	1,888,853	-	1,975,311
Ambulance services	982,274	-	-	-	982,274
Grants	42,339	-	230,156	-	272,495
Municipal court	263,378	-	-	-	263,378
Other income	43,755	-	85,562	-	129,317
Fines and forfeitures	93,347	-	-	-	93,347
Investment earnings	11,655	502	37,726	995	50,878
Library	8,865	-	-	-	8,865
Intergovernmental	2,447	-	-	-	2,447
Total Revenues	<u>8,944,753</u>	<u>418,739</u>	<u>2,242,297</u>	<u>491,672</u>	<u>12,097,461</u>
EXPENDITURES					
Current:					
Development	1,393,815	-	-	-	1,393,815
General government	1,362,692	-	-	-	1,362,692
Fire protection and ambulance	1,289,667	-	-	-	1,289,667
Police	1,268,731	-	-	-	1,268,731
Parks	408,168	-	-	-	408,168
Library	311,072	-	-	-	311,072
Emergency communications	276,825	-	-	-	276,825
Streets and infrastructure	166,961	-	14,763	4,357	186,081
Municipal court	163,200	-	-	-	163,200
Debt Service:					
Principal	133,040	205,000	-	-	338,040
Interest	18,657	288,031	-	-	306,688
Capital Outlay:					
Parks	311,062	-	3,868,473	-	4,179,535
General government	826,085	-	413,799	-	1,239,884
Streets and infrastructure	131,050	-	189,593	540,767	861,410
Public safety	204,705	-	-	-	204,705
Library	21,138	-	-	-	21,138
Total Expenditures	<u>8,286,868</u>	<u>493,031</u>	<u>4,785,645</u>	<u>545,124</u>	<u>14,110,668</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>657,885</u>	<u>(74,292)</u>	<u>(2,543,348)</u>	<u>(53,452)</u>	<u>(2,013,207)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of bonds payable	-	-	8,958,500	-	8,958,500
Proceeds from issuance of bonds premium	-	-	367,846	-	367,846
Lease proceeds	210,507	-	-	-	210,507
Proceeds from the sale of general capital assets	65,201	-	-	-	65,201
Transfers in	130,478	-	-	-	130,478
Transfers (out)	-	(59,860)	(360,634)	-	(420,494)
Total Other Financing Sources (Uses)	<u>406,186</u>	<u>(59,860)</u>	<u>8,965,712</u>	<u>-</u>	<u>9,312,038</u>
Net Change in Fund Balances	1,064,071	(134,152)	6,422,364	(53,452)	7,298,831
Fund Balances - Beginning	2,830,458	521,165	3,758,337	352,357	7,462,317
Fund Balances - Ending	<u>\$ 3,894,529</u>	<u>\$ 387,013</u>	<u>\$ 10,180,701</u>	<u>\$ 298,905</u>	<u>\$ 14,761,148</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, 2022

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

Net Change in Fund Balances - Total Governmental Funds	\$ 7,298,831
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	1,758,656
Capital outlays	6,506,672
Depreciation and amortization expense	(1,330,095)
Disposals	(124,952)
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	338,040
New debt proceeds	(9,169,007)
Premium associated with the issuance of new debt	(367,846)
Amortization of bond premium	52,001
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.	(27,989)
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.	(173,163)
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.	(54,555)
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.	(229,584)
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.	(10,998)
Change in Net Position of Governmental Activities	<u>\$ 4,466,011</u>

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, 2022

	Water & Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 3,976,998
Accounts receivables, net	744,412
Due from other funds	3,138,752
Inventory	94,056
Total Current Assets	<u>7,954,218</u>
Noncurrent Assets:	
Deposits held in trust by GTUA	5,545,669
Total Noncurrent Assets	<u>5,545,669</u>
Capital assets:	
Land	258,578
Construction in progress	652,818
Machinery and equipment	978,589
Infrastructure	33,537,746
Less: accumulated depreciation	<u>(8,322,427)</u>
Total Capital Assets	<u>27,105,304</u>
Total Assets	<u>40,605,191</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - pension	55,386
Deferred outflow - OPEB	4,094
Total Deferred Outflows of Resources	<u>59,480</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	465,973
Accrued liabilities	17,985
Unearned revenue	42,028
Customer deposits payable	382,966
Due to other funds	60,133
Accrued interest payable	526,150
Compensated absences	10,784
Contractual obligations - current	88,317
Bonds payable - current	613,748
Total Current Liabilities	<u>2,208,084</u>
Noncurrent Liabilities:	
Net pension liability	90,381
Total OPEB liability	18,553
Contractual obligations	-
Bonds payable	14,298,452
Total Noncurrent Liabilities	<u>14,407,386</u>
Total Liabilities	<u>16,615,470</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - pension	50,693
Deferred inflow - OPEB	77
Total Deferred Inflows of Resources	<u>50,770</u>
NET POSITION	
Net investment in capital assets	17,650,456
Unrestricted	6,347,975
Total Net Position	<u>\$ 23,998,431</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, 2022

	Water & Sewer Fund
Operating Revenues	
Water	\$ 3,143,908
Sewer	2,539,160
Sanitation	369,347
Other services	260,916
Miscellaneous	171,324
Late charges and penalties	101,585
Total Operating Revenues	<u>6,586,240</u>
Operating Expenses	
Depreciation and amortization	985,554
Personnel services	725,885
Maintenance and repairs	723,923
Contractual services	445,324
Sanitation contract	338,462
Utilities	231,819
Administrative	150,691
Purchased water	44,296
Supplies	28,534
Total Operating Expenses	<u>3,674,488</u>
Operating Income	<u>2,911,752</u>
Nonoperating Revenues (Expenses)	
Contributions	643,557
Interest income	56,285
Loss on disposal of asset	(18,386)
Fiscal agent fees	(91,774)
Interest expense	(573,064)
Total Nonoperating Revenues (Expenses)	<u>16,618</u>
Income Before Transfers	<u>2,928,370</u>
Transfers in (out)	290,016
Change in Net Position	3,218,386
Net Position - Beginning, as Restated	20,780,045
Net Position - Ending	<u><u>\$ 23,998,431</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, 2022

	Water & Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers and users	\$ 6,515,015
Cash paid to employees for services	(772,439)
Cash payments (to) from other funds for services provided	(3,138,752)
Cash paid to suppliers	(1,549,433)
Net Cash Provided by Operating Activities	<u>1,054,391</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in (out) to other funds	<u>290,016</u>
Net Cash Provided by Noncapital Financing Activities	<u>290,016</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for acquisition and construction of capital assets	(1,251,832)
Cash from GTUA restricted deposits	(160,728)
Proceeds from debt issuance	3,095,000
Premium from debt issuance	(133,276)
Cash paid for fiscal agent fees	(91,774)
Interest paid on long-term debt	(612,962)
Principal payments on debt	(638,168)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>206,260</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>56,285</u>
Net Cash Provided by Investing Activities	<u>56,285</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,606,952
Cash and Cash Equivalents, October 1, 2021	<u>2,370,046</u>
Cash and Cash Equivalents, September 30, 2022	<u><u>3,976,998</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	2,911,752
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation and amortization	985,554
(Increase) decrease in accounts receivable	(173,625)
(Increase) decrease in inventory	-
(Increase) decrease in deferred outflows related to pension/OPEB balances	(23,779)
(Increase) decrease in due from other funds	(3,138,752)
Increase (decrease) in deferred inflows related to pension/OPEB balances	34,132
Increase (decrease) in accounts payable	317,527
Increase (decrease) in deferred revenue	8,067
Increase (decrease) in customer deposits	102,400
Increase (decrease) in compensated absences	(1,412)
Increase (decrease) in accrued liabilities	(5,086)
Increase (decrease) in net pension liability	33,692
Increase (decrease) in total OPEB liability	3,921
Net Cash Provided by Operating Activities	<u><u>\$ 1,054,391</u></u>

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

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City of Van Alstyne, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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. The City has no fiduciary activities to report. *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, development, 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, 2022

C. Upcoming and Newly Implemented Accounting Pronouncements

The GASB has issued the following statements:

GASB Statement No. 87, Leases, increases 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 were effective for reporting periods beginning after June 15, 2021. The City has implemented this Statement in fiscal year 2022.

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.

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 a potential component unit does not have a governing board and the primary government performs the duties that governing board typically would perform; mitigates costs associated with the reporting of certain defined contribution pension, OPEB and benefit plans other than pension or OPEB plans; and enhances 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 was effective for fiscal years beginning after June 15, 2021, and have no impact on the City's financial statements.

GASB Statement No. 99, Omnibus 2022, enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement related to extension of use of London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended and terminology updates related to Statements No. 53 and 63 are effective immediately and implemented in the current year. All other requirements of this Statement are effective for fiscal years beginning after June 15, 2022, or June 15, 2023. The City is currently evaluating the impact of this Statement.

City of Van Alstyne, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

GASB Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62, enhances the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The City has implemented this Statement.

GASB Statement No. 101, Compensated Absences, will better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The City is currently evaluating the impact of 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.

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.

City of Van Alstyne, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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.

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.

City of Van Alstyne, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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.

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.

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.

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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.

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.

City of Van Alstyne, Texas
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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.

Leases

Lessee

The City is a lessee for noncancellable leases of property and equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$25,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the City is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

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.

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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, 2022, 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.

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.

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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.

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 2021 was 0.563713 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.

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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, 2022 are \$111,444 and \$10,784, respectively.

Note 2: Cash and Cash Equivalents

As of September 30, 2022, the City maintained all banking accounts at Independent Bank.

At September 30, 2022, the City's total carrying value of cash and cash equivalents is \$23,065,034, which consists of \$879 in petty cash and \$23,064,155 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, 2022, the EDC has cash and cash equivalents in the amount of \$2,748,427 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, 2022, the CDC has cash and cash equivalents in the amount of \$775,663 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.

Note 3: Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2022:

	Beginning Balance	Additions	Retirements & Reclasses	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized:				
Land	\$ 1,489,895	\$ 647,793	\$ -	\$ 2,137,688
Construction in progress	3,118,353	5,156,591	-	8,274,944
Capital assets being depreciated/amortized:				
Building and improvements	669,326	105,442	-	774,768
Machinery and equipment	3,199,728	308,474	(741,861)	2,766,341
Parks	1,984,322	51,584	-	2,035,906
Streets and infrastructure	15,530,363	1,784,936	-	17,315,299
Right to use assets	-	210,507	-	210,507
Totals	25,991,987	8,265,327	(741,861)	33,515,453
Less accumulated depreciation/amortization	(7,009,904)	(1,330,097)	616,911	(7,723,090)
Governmental activities capital assets, net	<u>\$18,982,083</u>	<u>\$ 6,935,230</u>	<u>\$ (124,950)</u>	<u>\$ 25,792,363</u>

City of Van Alstyne, Texas
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Business-Type Activities	Beginning Balance	Additions	Retirements & Reclasses	Ending Balance
Capital assets not being depreciated:				
Land	\$ 258,578	\$ -	\$ -	\$ 258,578
Construction in progress	3,287,618	440,685	(3,075,485)	652,818
Depreciable capital assets:				
Waterworks system	19,366,893	3,049,040	(274,579)	22,141,354
Sewer system	9,942,077	1,454,316	-	11,396,393
Machinery and equipment	902,612	218,464	(142,488)	978,588
Totals	33,757,778	5,162,505	(3,492,552)	35,427,731
Less accumulated depreciation	(7,742,066)	(985,554)	405,193	(8,322,427)
Business-type activities capital assets, net	<u>\$26,015,712</u>	<u>\$ 4,176,951</u>	<u>\$ (3,087,359)</u>	<u>\$ 27,105,304</u>

	Beginning Balance	Additions	Retirements & Reclasses	Ending Balance
Economic Development Corporation				
Capital assets not being depreciated:				
Land	\$ 1,650,461	\$ -	\$ (463,920)	\$ 1,186,541
Construction in progress	685,143	1,484,677	-	2,169,820
Depreciable capital assets:				
Building and improvements	74,260	-	-	74,260
Machinery and equipment	10,617	-	-	10,617
Totals	2,420,481	1,484,677	(463,920)	3,441,238
Less accumulated depreciation	(45,692)	(2,357)	-	(48,049)
EDC capital assets, net	<u>\$ 2,374,789</u>	<u>\$ 1,482,320</u>	<u>\$ (463,920)</u>	<u>\$ 3,393,189</u>

Depreciation and amortization expense for the year ended September 30, 2022 was charged to functions of the primary government and the business-type activities as follows:

Governmental Activities:	
General Government	\$ 68,014
Library	13,383
Ambulance	-
Fire Department	136,340
Police Department	86,451
Parks	159,839
Streets	866,070
	<u>\$1,330,097</u>
Business-Type Activities:	
Water and sewer	\$ 985,554
	<u>\$ 985,554</u>
EDC Activities:	
Economic Development	\$ 2,357
	<u>\$ 2,357</u>

City of Van Alstyne, Texas
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Note 4: Receivables

Receivables as of the year ended September 30, 2022 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	\$ 1,197,064	\$ -	\$ -	\$ -	\$ 1,197,064	\$ -	\$ -
Municipal court	790,359	-	-	-	790,359	-	-
Sales taxes	419,186	-	83,837	-	503,023	83,527	83,527
Property taxes	66,617	19,574	-	-	86,191	-	-
Franchise & other	116,659	-	-	-	116,659	5,421	-
Accounts	-	-	-	763,567	763,567	-	-
	<u>2,589,885</u>	<u>19,574</u>	<u>83,837</u>	<u>763,567</u>	<u>3,456,863</u>	<u>88,948</u>	<u>83,527</u>
Less: allowance for doubtful accounts	(1,567,899)	(753)	-	(19,155)	(1,587,807)	-	-
Net	<u>\$ 1,021,986</u>	<u>\$ 18,821</u>	<u>\$ 83,837</u>	<u>\$ 744,412</u>	<u>\$ 1,869,056</u>	<u>\$ 88,948</u>	<u>\$ 83,527</u>

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, 2022, the components of the unavailable revenue in the General and Debt Service Funds are as follows:

Ambulance services	\$ 309,788
Delinquent property taxes	82,998
Municipal court fines	18,737
	<u>\$ 411,523</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, 2022 is as follows:

	Transfers To Other Funds	Transfers From Other Funds	Net Transfers
Governmental Funds:			
General	\$ -	\$ 130,478	
Debt Service	59,860	-	
Capital Projects	360,634	-	
	<u>\$ 420,494</u>	<u>\$ 130,478</u>	<u>\$ (290,016)</u>
Proprietary Funds:			
Water	\$ -	\$ 290,016	
	<u>\$ -</u>	<u>\$ 290,016</u>	<u>\$ 290,016</u>

City of Van Alstyne, Texas
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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, 2022 is as follows:

	Due From Other Funds	Due To Other Funds	Internal Balances
Governmental Funds:			
General	\$ 96,684	\$ 30,494	
Debt Service	28,684	-	
Street Sales Tax	-	34,741	
Capital Projects	-	3,138,752	
	<u>\$ 125,368</u>	<u>\$ 3,203,987</u>	<u>\$ (3,078,619)</u>
Proprietary Funds:			
Water and Sewer	\$ 3,138,752	\$ 60,133	
	<u>\$ 3,138,752</u>	<u>\$ 60,133</u>	<u>\$ 3,078,619</u>

Note 6: Changes in Long-Term Debt

The following schedule summarizes the changes in long term debt for the year ended September 30, 2022:

	Balance 9/30/2021	Additions	Retirements	Balance 9/30/2022	Due within one year
Governmental Activities					
Notes payable	\$ 246,009	\$ 378,500	\$ (98,838)	\$ 525,671	\$ 187,722
Bonds payable	6,815,000	8,580,000	(205,000)	15,190,000	310,759
Leases payable	-	210,507	(34,202)	176,305	54,682
Bond premium	232,719	367,846	(25,461)	575,104	29,419
Total bonds, notes, and leases payable	<u>7,293,728</u>	<u>9,536,853</u>	<u>(363,501)</u>	<u>16,467,080</u>	<u>582,582</u>
Compensated absences	56,825	111,444	(56,825)	111,444	111,444
Net pension liability	414,911	146,951	-	561,862	-
Total OPEB liability	<u>107,090</u>	<u>8,246</u>	<u>-</u>	<u>115,336</u>	<u>-</u>
Long Term Debt	<u>\$ 7,872,554</u>	<u>\$ 9,803,494</u>	<u>\$ (420,326)</u>	<u>\$ 17,255,722</u>	<u>\$ 694,026</u>
Business-Type Activities					
Contractual obligations with GTUA	\$ 11,048,750	\$ -	\$ (381,250)	\$ 10,667,500	\$ 400,000
Notes payable	205,235	-	(116,918)	88,317	88,317
Bonds payable	1,070,000	3,095,000	(140,000)	4,025,000	199,241
Bond premium	100,930	133,276	(14,506)	219,700	14,507
Total bonds and notes payable	<u>12,424,915</u>	<u>3,228,276</u>	<u>(652,674)</u>	<u>15,000,517</u>	<u>702,065</u>
Compensated absences	\$ 7,141	\$ 10,784	\$ (7,141)	\$ 10,784	\$ 10,784
Net pension liability	56,689	33,692	-	90,381	-
Total OPEB liability	<u>14,632</u>	<u>3,921</u>	<u>-</u>	<u>18,553</u>	<u>-</u>
Long Term Debt	<u>\$ 12,503,377</u>	<u>\$ 3,276,673</u>	<u>\$ (659,815)</u>	<u>\$ 15,120,235</u>	<u>\$ 712,849</u>

City of Van Alstyne, Texas
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Economic Development Corporation

Notes payable	\$ 85,444	\$ -	\$ (10,375)	\$ 75,069	\$ 10,933
Bonds payable	2,155,000	2,820,000	(45,000)	4,930,000	70,000
Bond discount	(20,855)	(79,778)	826	(99,807)	(3,556)
Long Term Debt	\$ 2,219,589	\$ 2,740,222	\$ (54,549)	\$ 4,905,262	\$ 77,377

Compensated absences are paid from the fund out of which an employee is regularly paid – primarily the General Fund and the Water and Sewer Fund.

Long-term debt of the City is comprised of the following individual issues at September 30, 2022:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Governmental Activities	Business-Type Activities	Component Unit Activities
General Obligation Bonds							
2019 Series CO's - Infrastructure	\$ 1,445,000	2019	2035	3.00 - 4.00%	\$ 1,385,000	\$ -	\$ -
2020 Series CO's - Infrastructure	4,655,000	2020	2045	1.50 - 3.00%	4,460,000	-	-
2020 Series Refunding	2,130,000	2020	2033	3.00%	765,000	930,000	-
2021 Series CO's - Infrastructure	8,135,000	2021	2046	2.00 - 5.00%	5,040,000	3,095,000	-
2022 Series CO's - Infrastructure	3,540,000	2022	2047	3.75 - 5.00%	3,540,000	-	-
Revenue bonds							
2020 Series Sales Tax Revenue Bonds	2,160,000	2020	2045	3.50 - 5.00%			2,110,000
2022 Series Sales Tax Revenue Bonds	2,820,000	2022	2052	5.00 - 5.75%			2,820,000
Contractual Obligations							
GTUA CGMA Phase I Contractual Obligation	700,000	2005	2028	2.29 - 5.74%	-	270,000	-
GTUA CGMA Phase II Contractual Obligation	2,168,750	2009	2040	5.68 - 5.83%	-	2,168,750	-
GTUA CGMA Phase III Contractual Obligation	1,250,000	2007	2036	2.67 - 5.62%	-	833,750	-
GTUA 2014A Series - Contractual Obligation	485,000	2014	2024	2.00 - 4.00%	-	105,000	-
GTUA 2014B Series - Contractual Obligation	1,730,000	2014	2034	2.00 - 4.00%	-	1,170,000	-
GTUA 2015 Series - Contractual Obligation	2,875,000	2015	2034	0.04 - 2.52%	-	2,225,000	-
GTUA 2021 Series - Contractual Obligation	4,000,000	2021	2051	1.10 - 2.27%	-	3,895,000	-
Total Bonds and Contractual Obligations Payable					15,190,000	14,692,500	4,930,000
Notes payable							
Fire Truck - Contract #6603	400,000	2015	2023	3.19%	89,133	-	-
Ambulance - Contract #8200	275,000	2018	2022	3.90%	58,038	-	-
Public Works Equipment - Contract #6577	786,716	2015	2023	3.19%	-	88,317	-
Public Works Equipment - Contract #7987	154,668	2018	2022	2.95%	-	-	-
Land - Contract #8135	113,500	2018	2028	5.38%	-	-	75,069
Ambulance - Contract #9967	378,500	2022	2026	3.74%	378,500	-	-
Total Notes Payable					525,671	88,317	75,069
Total Debt					\$ 15,715,671	\$ 14,780,817	\$ 5,005,069

City of Van Alstyne, Texas
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The annual debt service requirements to maturity for governmental bonds and notes are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 498,481	\$ 497,513	\$ 995,994
2024	503,124	436,672	939,796
2025	502,352	418,877	921,229
2026	520,999	401,383	922,382
2027	502,277	379,895	882,172
2028-2032	2,821,002	1,587,661	4,408,663
2033-2037	3,262,790	1,153,011	4,415,801
2038-2042	3,699,309	699,376	4,398,685
2043-2047	3,405,337	202,183	3,607,520
	<u>\$ 15,715,671</u>	<u>\$ 5,776,570</u>	<u>\$ 21,492,241</u>

The annual debt service requirements to maturity for proprietary bonds and notes are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 687,559	\$ 545,679	\$ 1,233,238
2024	613,643	528,573	1,142,216
2025	685,166	513,298	1,198,464
2026	798,916	392,509	1,191,425
2027	705,223	369,566	1,074,789
2028-2032	3,863,998	1,600,055	5,464,053
2033-2037	3,197,209	958,111	4,155,320
2038-2042	2,014,440	464,263	2,478,703
2043-2047	1,554,663	197,972	1,752,635
2048-2051	660,000	55,424	715,424
	<u>\$ 14,780,817</u>	<u>\$ 5,625,450</u>	<u>\$ 20,406,267</u>

The annual debt service requirements to maturity for EDC bonds and notes are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 80,933	\$ 259,998	\$ 340,931
2024	81,520	256,585	338,106
2025	87,140	253,216	340,356
2026	87,792	249,563	337,355
2027	93,480	245,876	339,356
2028-2032	529,205	1,164,201	1,693,406
2033-2037	665,000	1,031,156	1,696,156
2038-2042	850,000	847,719	1,697,719
2043-2047	1,095,000	602,075	1,697,075
2048-2052	1,435,000	257,025	1,692,025
	<u>\$ 5,005,069</u>	<u>\$ 5,167,415</u>	<u>\$ 10,172,484</u>

City of Van Alstyne, Texas
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Right-to-Use Lease Liability

The City has entered into a lease agreement as the lessee for a building. The leases allow the right-to-use equipment and vehicles for the term of the lease. The City is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the leases.

The lease rate, term, and ending lease liability are as follows:

Description	Interest Rates	Liability at Commencement	Lease Term in Years	Ending Balance
Governmental Activities				
Leased building	4.00%	\$ 210,507	4.0	\$ 176,305
Total Governmental Activities				\$ 176,305

The future principal and interest lease payments, as of fiscal year-end, are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 54,682	\$ 6,168	\$ 60,850
2024	68,070	3,630	71,700
2025	53,553	897	54,450
	<u>\$ 176,305</u>	<u>\$ 10,695</u>	<u>\$ 187,000</u>

The value of the right to use assets for governmental activities as of September 30, 2022, was \$210,507 and had accumulated amortization of \$56,135.

Note 7: 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 \$357,221 and \$14,584,107 respectively, at September 30, 2022. The Water and Sewer Fund has restricted cash held in trust by GTUA in the amount of \$5,545,669 at September 30, 2022 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, 2022

Note 8: Pension Plan

Plan Description

The City participates as one of 901 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	7%
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, 2021 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	83
Active employees	53
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City of Van Alstyne, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.96% and 12.76% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$414,389 and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2021 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, 2022

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 (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100%	

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, 2022

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%
\$2,057,893	\$652,243	(\$444,189)

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 12/31/2020	\$ 5,975,483	\$ 5,503,883	\$ 471,600
Changes for the year:			
Service cost	474,434	-	474,434
Interest	439,856	-	439,856
Change of benefit terms	383,269	-	383,269
Difference between expected and actual experience	46,241	-	46,241
Changes of assumptions	-	-	-
Contributions - employer	-	280,105	(280,105)
Contributions - employee	-	168,738	(168,738)
Net investment income	-	717,611	(717,611)
Benefit payments, including refunds of employee contributions	(159,201)	(159,201)	-
Administrative expense	-	(3,320)	3,320
Other changes	-	23	(23)
Net changes	\$ 1,184,599	\$ 1,003,956	\$ 180,643
Balance at 12/31/2021	\$ 7,160,082	\$ 6,507,839	\$ 652,243

City of Van Alstyne, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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

For the year ended September 30, 2022, the City recognized pension expense of \$688,248. At September 30, 2022, 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	\$ 64,225	\$ -
Changes in actuarial assumptions	813	-
Differences between projected and actual investment earnings	-	(365,832)
Contributions subsequent to the measurement date	334,658	-
Total	<u>\$ 399,696</u>	<u>\$ (365,832)</u>

\$334,658 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, 2023. 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
2023	\$ (29,430)
2024	(125,428)
2025	(76,717)
2026	(69,219)
2027	-
Thereafter	-
Total	<u>\$ (300,794)</u>

Note 9: 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.

City of Van Alstyne, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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, 2021 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.

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, 2022 were \$6,948, and were equal to the required contributions.

City of Van Alstyne, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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)
2021	0.18%	0.09%
2022	0.21%	0.10%

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2021 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:	1.84%
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 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 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.

City of Van Alstyne, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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 1.84% 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, 2021.

Changes in Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2020	\$ 121,722
Changes for the year:	
Service cost	11,530
Interest on Total OPEB Liability	2,524
Change of benefit terms	-
Difference between expected and actual experience	(3,775)
Changes of assumptions or other inputs	4,419
Benefit payments	(2,531)
Net changes	12,167
Balance at 12/31/2021	\$ 133,889

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 1.84%, 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	Current Discount Rate	1% Increase
0.84%	1.84%	2.84%
\$167,019	\$133,889	\$108,835

City of Van Alstyne, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$21,637. At September 30, 2022, 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	\$ -	\$ (559)
Changes of assumptions	24,035	-
Contributions made subsequent to measurement date	5,507	-
	<u>\$ 29,542</u>	<u>\$ (559)</u>

The \$5,507 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
2023	\$ 5,009
2024	3,977
2025	5,451
2026	5,089
2027	3,950
Thereafter	-
Total	<u>\$ 23,476</u>

Note 10: Prior Period Adjustment

During fiscal year 2022, the City became aware of an error in the GTUA CIP in the previous year and recorded a prior period adjustment in the General Fund to correct this error in beginning balances.

	Water and Sewer Fund
Beginning balances as previously reported	\$ 20,090,923
Prior period adjustment	689,122
Restated beginning balances	<u>\$ 20,780,045</u>

City of Van Alstyne, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

Note 11: Excess of Expenditures Over Appropriations

For the year ended September 30, 2022, the General Fund and the EDC exceeded appropriations at the legal level of control in the amounts of \$122,131 and \$1,767,873, respectively. Management has implemented procedures to ensure future compliance.

Note 12: Subsequent Events

Management has evaluated all events or transactions that occurred after September 30, 2022 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 October 11, 2022, the City issued Combination Tax and Revenue Bonds Series 2022A in the amount of \$20,340,000. The proceeds were for capital improvements related to a public safety facility and road improvements. The 2022 bonds have an interest rate that varies from 4.00% to 5.00%. The 2022A Series bonds require interest payments beginning February 15, 2023 through the maturity date of February 15, 2052. The first principal payments will be due in fiscal year 2025 in the amount of \$95,000.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Van Alstyne, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes:				
Property	\$ 2,202,397	\$ 2,169,640	\$ 2,169,719	\$ 79
General sales and use	1,603,750	2,403,202	2,453,384	50,182
Franchise	250,000	274,624	274,624	-
Ambulance services	886,607	982,273	982,274	1
Municipal court	568,900	359,082	263,378	(95,704)
License and permits	1,064,860	2,512,506	2,512,508	2
Intergovernmental	2,724	2,447	2,447	-
Fines and forfeitures	92,702	93,347	93,347	-
Donations	25,680	85,958	86,458	500
Grants	3,460	42,339	42,339	-
Other income	4,550	52,092	43,755	(8,337)
Investment earnings	6,288	11,490	11,655	165
Library	33,580	6,080	8,865	2,785
Total Revenues	<u>6,745,498</u>	<u>8,995,080</u>	<u>8,944,753</u>	<u>(50,327)</u>
EXPENDITURES				
Current:				
General government	1,151,353	1,319,419	1,362,692	(43,273)
Development	757,848	1,136,477	1,393,815	(257,338)
Police	1,320,418	1,258,596	1,268,731	(10,135)
Fire protection and ambulance	1,270,980	1,305,869	1,289,667	16,202
Municipal court	416,270	344,393	163,200	181,193
Emergency communications	275,394	283,042	276,825	6,217
Library	280,806	312,955	311,072	1,883
Parks	531,359	450,213	408,168	42,045
Streets and infrastructure	98,045	161,461	166,961	(5,500)
Debt Service:				
Principal	140,284	140,103	133,040	7,063
Interest	8,628	8,809	18,657	(9,848)
Capital Outlay:				
Streets and infrastructure	6,975	5,500	131,050	(125,550)
Parks	16,700	275,546	311,062	(35,516)
Public safety	200,630	239,140	204,705	34,435
General government	306,431	920,639	826,085	94,554
Library	24,200	2,575	21,138	(18,563)
Total Expenditures	<u>6,806,321</u>	<u>8,164,737</u>	<u>8,286,868</u>	<u>(122,131)</u>
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	<u>(60,823)</u>	<u>830,343</u>	<u>657,885</u>	<u>(172,458)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of bonds payable	-	-	210,507	210,507
Proceeds from the sale of general capital assets	-	65,201	65,201	-
Transfers in	153,315	130,478	130,478	-
Total Other Financing Sources (Uses)	<u>153,315</u>	<u>195,679</u>	<u>406,186</u>	<u>210,507</u>
Net Change in Fund Balances	<u>\$ 92,492</u>	<u>\$ 1,026,022</u>	<u>\$ 1,064,071</u>	<u>\$ 38,049</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

	2021	2020	2019
Total pension liability			
Service Cost	\$ 474,434	\$ 343,787	\$ 282,563
Interest (on the Total Pension Liability)	439,855	369,939	333,495
Changes of benefit terms	383,269	-	-
Difference between expected and actual experience	46,241	41,960	71,428
Change of assumptions	-	-	4,455
Benefit payments, including refunds of employee contributions	(159,201)	(177,782)	(187,492)
Net Change in Total Pension Liability	1,184,598	577,904	504,449
Total Pension Liability - Beginning	5,975,483	5,397,579	4,893,130
Total Pension Liability - Ending (a)	<u>\$ 7,160,081</u>	<u>\$ 5,975,483</u>	<u>\$ 5,397,579</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 280,105	\$ 236,252	\$ 198,688
Contributions - Employee	168,738	145,364	123,390
Net Investment Income	717,611	373,953	641,983
Benefit payments, including refunds of employee contributions	(159,201)	(177,782)	(187,492)
Administrative Expense	(3,320)	(2,421)	(3,630)
Other	22	(94)	(109)
Net Change in Plan Fiduciary Net Position	1,003,955	575,272	772,830
Plan Fiduciary Net Position - Beginning	5,503,883	4,928,611	4,155,781
Plan Fiduciary Net Position - Ending (b)	<u>\$ 6,507,838</u>	<u>\$ 5,503,883</u>	<u>\$ 4,928,611</u>
Net Pension Liability - Ending (a) - (b)	652,243	471,600	468,968
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.89%	92.11%	91.31%
Covered Payroll	\$ 2,812,294	\$ 2,422,738	\$ 2,056,496
Net Pension Liability as a Percentage of Covered Payroll	23.19%	19.47%	22.80%

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.

2018	2017	2016	2015	2014
\$ 220,227	\$ 226,715	\$ 197,874	\$ 188,085	\$ 174,573
307,269	288,734	262,778	253,994	232,187
-	-	-	-	-
(19,379)	(129,120)	23,275	(32,674)	18,835
-	-	-	(10,791)	-
(114,022)	(102,951)	(124,694)	(153,259)	(88,387)
394,095	283,378	359,233	245,355	337,208
4,499,035	4,215,657	3,856,424	3,611,069	3,273,861
<u>\$ 4,893,130</u>	<u>\$ 4,499,035</u>	<u>\$ 4,215,657</u>	<u>\$ 3,856,424</u>	<u>\$ 3,611,069</u>
\$ 172,549	\$ 173,050	\$ 150,448	\$ 139,552	\$ 120,262
97,302	99,074	85,970	80,839	82,639
(123,481)	481,310	212,855	4,556	160,990
(114,022)	(102,951)	(124,694)	(153,259)	(88,387)
(2,389)	(2,498)	(2,409)	(2,775)	(1,680)
(125)	(127)	(130)	(137)	(138)
29,834	647,858	322,040	68,776	273,686
4,125,947	3,478,089	3,156,049	3,087,273	2,813,587
<u>\$ 4,155,781</u>	<u>\$ 4,125,947</u>	<u>\$ 3,478,089</u>	<u>\$ 3,156,049</u>	<u>\$ 3,087,273</u>
737,349	373,088	737,568	700,375	523,796
84.93%	91.71%	82.50%	81.84%	85.49%
\$ 1,621,705	\$ 1,651,240	\$ 1,432,831	\$ 1,347,317	\$ 1,377,309
45.47%	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

	2022	2021	2020	2019
Actuarially Determined Contributor	\$ 414,389	\$ 266,883	\$ 225,738	\$ 196,306
Contributions in relation to the actuarially determined	414,389	266,883	225,738	196,306
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,308,867	\$ 2,921,561	\$ 2,320,611	\$ 1,980,968
Contributions as a percentage of covered payroll	12.52%	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	23 Years (longest amortization ladder_
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-retiremet: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes	Increased Member contribution rate from 6% to 7% Increased statutory max to 13.50% due to plan changes
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<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 RATIOS ¹

TEXAS MUNICIPAL RETIREMENT SYSTEM

Last Ten Measured Years

	2021	2020	2019	2018	2017
Total OPEB liability					
Service Cost	\$ 11,530	\$ 7,026	\$ 3,290	\$ 3,568	\$ 3,137
Interest (on the Total OPEB Liability)	2,524	2,441	2,685	2,526	2,434
Effect of plan changes	-	-	-	-	-
Differences between expected and actual experience	(3,775)	9,148	(4,994)	(3,609)	-
Changes in assumptions or other inputs	4,419	18,324	14,467	(5,570)	6,809
Benefit payments	(2,531)	(969)	(823)	(649)	(660)
Net Change in Total OPEB Liability	12,167	35,970	14,625	(3,734)	11,720
Total OPEB Liability - Beginning	121,722	85,752	71,127	74,861	63,141
Total OPEB Liability - Ending (a)	\$ 133,889	\$ 121,722	\$ 85,752	\$ 71,127	\$ 74,861
Covered Payroll	\$ 2,812,294	\$ 2,422,738	\$ 2,056,496	\$ 1,621,705	\$ 1,651,240
Total OPEB Liability as a Percentage of Covered Payroll	4.76%	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

	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 6,949	\$ 4,781	\$ 3,771	\$ 2,723	\$ 2,021
Contributions in relation to the actuarially determined contribution	<u>6,949</u>	<u>4,781</u>	<u>3,771</u>	<u>2,723</u>	<u>2,021</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	\$ 3,308,867	\$ 2,921,561	\$ 2,320,611	\$ 1,980,968	\$ 1,591,167
Contributions as a percentage of covered payroll	0.2%	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	1.84%
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.

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OTHER SUPPLEMENTARY INFORMATION

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City of Van Alstyne, Texas
Van Alstyne Economic Development Corporation
BALANCE SHEET- DISCRETELY PRESENTED COMPONENT UNIT
September 30, 2022

Assets

Cash and cash equivalents	\$ 2,748,427
Receivables, net	88,948
Total Assets	<u>2,837,375</u>

Liabilities

Accounts payable	2,911
Accrued liabilities and other payables	4,285
Total Liabilities	<u>7,196</u>

Fund Balances

Restricted - economic development	2,830,179
Total Fund Balances	<u>2,830,179</u>

Total Liabilities and Fund Balances	<u>\$ 2,837,375</u>
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City of Van Alstyne, Texas
Van Alstyne Economic Development Corporation
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - DISCRETELY PRESENTED COMPONENT UNIT
September 30, 2022

Fund Balances - Discretely Presented Component Unit	\$ 2,830,179
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.	3,393,189
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.	(4,905,262)
Payables for bond interest which are not due in the current period are not reported in the funds.	(21,004)
Net Position of Discretely Presented Component Unit - Statement of Net Position	<u><u>\$ 1,297,102</u></u>

City of Van Alstyne, Texas
Van Alstyne Economic Development Corporation
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT
For the Year Ended September 30, 2022

Revenue

Taxes:

Sales	\$ 490,677
Miscellaneous	8,472
Interest revenue	5,141
Total Revenues	<u>504,290</u>

Expenditures

Current:

Development services	402,317
Debt service:	
Principal retirement	55,375
Interest expense and fiscal charges	135,810
Capital outlay	1,484,677
Total Expenditures	<u>2,078,179</u>
Excess (Deficiency) of Revenues	
Over (Under) Expenditures	(1,573,889)

Other Financing Sources (Uses)

Proceeds from sale of asset	869,824
Issuance of debt	2,820,000
Issuance of debt - discount	79,778
Total Other Financing Sources (Uses)	<u>3,769,602</u>

Net Change in Fund Balances 2,195,713

Fund Balances - Beginning	634,466
Fund Balances - Ending	<u><u>\$ 2,830,179</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, 2022

Net Change in Fund Balances - Discretely Presented Component Unit	\$ 2,195,713
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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.	1,484,677
--	-----------

Gain on the sale of capital assets recorded in governmental activities is not recorded in the funds.	(463,920)
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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	55,375
New debt proceeds	(2,820,000)
Discount associated with the issuance of new debt	79,778

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	(7,532)
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Change in Net Position of the Discretely Presented Component Unit	\$ 521,734
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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, 2022

	Adopted Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Sales taxes	\$ 314,335	\$ 314,335	\$ 490,677	\$ 176,342
Interest revenue	1,200	1,200	5,141	3,941
Other	9,600	9,600	8,472	(1,128)
Total Revenues	<u>325,135</u>	<u>325,135</u>	<u>504,290</u>	<u>179,155</u>
Expenditures				
Current:				
Development services	104,362	104,362	402,317	297,955
Debt service:				
Principal	54,846	54,846	55,375	529
Interest expense and fiscal charges	103,098	103,098	135,810	32,712
Capital Outlay	48,000	48,000	1,484,677	1,436,677
Total Expenditures	<u>310,306</u>	<u>310,306</u>	<u>2,078,179</u>	<u>1,767,873</u>
Revenues Over (Under) Expenditures	14,829	14,829	(1,573,889)	1,947,028
Other Financing Sources (Uses)				
Proceeds from sale of asset	-	-	869,824	869,824
Issuance of debt	-	-	2,820,000	2,820,000
Issuance of debt - discount	-	-	79,778	79,778
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>3,769,602</u>	<u>3,769,602</u>
Net Change in Fund Balances	14,829	14,829	2,195,713	5,716,630
Fund Balances - Beginning	634,466	634,466	634,466	
Fund Balances - Ending	<u>\$ 649,295</u>	<u>\$ 649,295</u>	<u>\$ 2,830,179</u>	

City of Van Alstyne, Texas
 Van Alstyne Community Development Corporation
BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNIT
 September 30, 2022

Assets

Cash and cash equivalents	\$ 775,663
Accounts receivable	83,527
Total Assets	<u>859,190</u>

Liabilities

Accounts payable	1,085
Accrued liabilities and other payables	-
Total Liabilities	<u>1,085</u>

Fund Balances

Restricted - community development	858,105
Total Fund Balances	<u>858,105</u>

Total Liabilities and Fund Balances	<u>\$ 859,190</u>
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City of Van Alstyne, Texas
Van Alstyne Community Development Corporation
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - DISCRETELY PRESENTED COMPONENT UNIT
September 30, 2022

Fund Balances - Total Discretely Presented Component Unit	\$ 858,105
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Amounts reported for component unit activities in the Statement of Net Position that are different at the fund level.	-
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Net Position of Discretely Presented Component Unit - Statement of Net Position	\$ 858,105
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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, 2022

Revenues

Taxes:

Sales	\$	490,677
Other income		66,887
Interest revenue		1,173
Total Revenues		<u>558,737</u>

Expenditures

Current:

Community development	19,943
Salaries	130,121
Advertising	14,561
Professional fees	8,097
Rent	9,950
Miscellaneous	13,735
Utilities	863
Maintenance & repairs	184
Total Expenditures	<u>197,454</u>

Excess (Deficiency) of Revenues	
Over (Under) Expenditures	361,283

Net Change in Fund Balances 361,283

Fund Balances -Beginning	496,822
Fund Balances - Ending	<u><u>\$ 858,105</u></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, 2022

Net Change in Fund Balances - Discretely Presented Component Unit	\$ 361,283
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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	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">\$ 361,283</div>
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City of Van Alstyne, Texas
Van Alstyne Community Development Corporation
BUDGETARY COMPARISON SCHEDULE
For the Year Ended September 30, 2022

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes:				
Sales taxes	\$ 314,335	\$ 314,335	\$ 490,677	\$ 176,342
Other income	57,000	57,000	66,887	9,887
Interest revenue	1,500	1,500	1,173	(327)
Total Revenues	<u>372,835</u>	<u>372,835</u>	<u>558,737</u>	<u>185,902</u>
Expenditures				
Current:				
Community development	143,200	143,200	19,943	(123,257)
Salaries	114,000	114,000	130,121	16,121
Advertising	26,400	26,400	14,561	(11,839)
Professional fees	8,362	8,362	8,097	(265)
Rent	7,800	7,800	9,950	2,150
Miscellaneous	4,240	4,240	13,735	9,495
Utilities	2,400	2,400	863	(1,537)
Maintenance & repairs	3,000	3,000	184	(2,816)
Supplies	1,440	1,440	-	(1,440)
Total Expenditures	<u>310,842</u>	<u>310,842</u>	<u>197,454</u>	<u>(113,388)</u>
Revenues Over (Under) Expenditures	61,993	61,993	361,283	72,514
Net Change in Fund Balances	61,993	61,993	361,283	72,514
Fund Balances -Beginning	<u>496,822</u>	<u>496,822</u>	<u>496,822</u>	
Fund Balances - Ending	<u>\$ 558,815</u>	<u>\$ 558,815</u>	<u>\$ 858,105</u>	

COMPLIANCE AND INTERNAL CONTROL SECTION

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

To the Management & City Council of
City of Van Alstyne, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Van Alstyne, Texas (City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 11, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying Schedule of Audit Findings and Responses as items 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Vail + Park, P.C.

Tom Bean, Texas
July 11, 2023

City of Van Alstyne, Texas
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
For the Year Ended September 30, 2022

FINANCIAL STATEMENT FINDINGS

Material Weakness

2022-001: **Economic Development Corporation (EDC) & Community Development Corporation (CDC) Financial Reporting**

Criteria: Internal controls over financial reporting should be designed and implemented to ensure that financial transactions and the related general ledger balances are properly recorded. These controls should provide for an adequate review of the accounting records to timely detect and correct errors.

Condition: The EDC and CDC maintain their accounting records in QuickBooks instead of the City's software. Further, the internal control structure at the EDC and CDC does not provide for adequate review and supervision of the general ledger to timely detect and correct errors. This is a recurring comment.

Possible Asserted Effect: The EDC and CDC internal control objectives are compromised and may not provide for the timely detection and correction of errors.

Cause: Internal controls over the financial reporting process are not properly designed and implemented to ensure the accuracy and completeness of financial transactions.

Perspective: The EDC and CDC maintains their financial transactions in QuickBooks and the internal control system does not provide for a proper review of financial records.

Recommendation: We recommend the EDC and CDC financial accounting records be converted from QuickBooks to separate funds in the same software system that the City utilizes and be maintained by City staff in the same manner as all City transactions. Check signing should continue to be performed by an authorized EDC and CDC board member.

Management's

Response: The City agrees with this finding and plans to convert the EDC and CDC accounting records to the new INCODE system once it is live.

City of Van Alstyne, Texas

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES

For the Year Ended September 30, 2022

FINANCIAL STATEMENT FINDINGS

Material Weakness

2021-001: **Economic Development Corporation (EDC) & Community Development Corporation (CDC) Financial Reporting**

Prior Year Finding Summary:

The EDC and CDC maintain their accounting records in QuickBooks instead of the City's software. Further, the internal control structure at the EDC and CDC does not provide for adequate review and supervision of the general ledger to timely detect and correct errors. This is a recurring comment.

Status of Prior Year Finding:

Management has not changed process. This finding will be reissued as 2022-001.