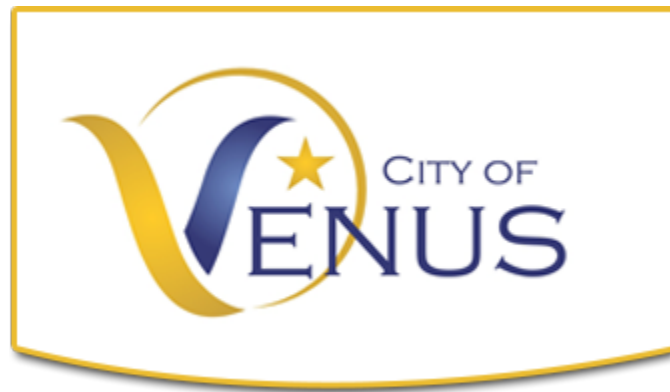


**CITY OF VENUS, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED**

**SEPTEMBER 30, 2021**





**CITY OF VENUS, TEXAS**

ANNUAL FINANCIAL REPORT

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of City Council  
City of Venus, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund financial of the City of Venus, Texas (the "City") as of and for the year ended September 30, 2021, which collectively comprise the City's basis financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules 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 August 14, 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 testing of internal controls 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 the City's internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
August 14, 2023



## **MANAGEMENT'S DISCUSSION & ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Venus, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,175,687 (net position). Of this amount, \$4,127,106 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,545,113.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$7,161,931, an increase of \$164,030 in comparison with prior year. Approximately 32.7% of this amount, \$2,342,841, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,342,841, or approximately 66.9% of the total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

#### Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, cultural and recreational and public works. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

## **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other two governmental funds are combined into a single aggregated presentation and presented as nonmajor. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found immediately following the management's discussion and analysis.

*Proprietary Funds.* The City maintains one type of proprietary fund. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise fund to account for its water and sewer operations and sanitation service.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer fund, which is considered to be a major fund of the City.

## **Notes to the Financial Statements**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information* concerning the City's General fund Budget Comparison Schedule, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Contributions.

This report also presents combining statements and an individual fund schedule referred to earlier in connection with nonmajor governmental funds.

## Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$13,175,687, at the close of the most recent fiscal year.

### CITY OF VENUS' NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 8,541,803	\$ 7,411,104	\$ 3,694,976	\$ 4,575,304	\$ 12,236,779	\$ 11,986,408
Capital assets	6,069,174	5,333,836	6,734,892	5,255,680	12,804,066	10,589,516
Total assets	<u>14,610,977</u>	<u>12,744,940</u>	<u>10,429,868</u>	<u>9,830,984</u>	<u>25,040,845</u>	<u>22,575,924</u>
Total deferred outflows of resources	<u>116,979</u>	<u>109,941</u>	<u>26,747</u>	<u>24,791</u>	<u>143,726</u>	<u>134,732</u>
Current liabilities	1,221,761	310,094	977,824	1,424,652	2,199,585	1,734,746
Long-term liabilities	6,721,904	6,952,198	2,987,066	3,304,608	9,708,970	10,256,806
Total liabilities	<u>7,943,665</u>	<u>7,262,292</u>	<u>3,964,890</u>	<u>4,729,260</u>	<u>11,908,555</u>	<u>11,991,552</u>
Total deferred inflows of resources	<u>81,658</u>	<u>76,922</u>	<u>18,671</u>	<u>11,608</u>	<u>100,329</u>	<u>88,530</u>
Net investment in capital assets	3,483,990	2,594,837	5,065,532	3,965,105	8,549,522	6,559,942
Restricted	499,059	380,140	-	-	499,059	380,140
Unrestricted	2,719,584	2,540,690	1,407,522	1,149,802	4,127,106	3,690,492
Total net position	<u>\$ 6,702,633</u>	<u>\$ 5,515,667</u>	<u>\$ 6,473,054</u>	<u>\$ 5,114,907</u>	<u>\$ 13,175,687</u>	<u>\$ 10,630,574</u>

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

By far, the largest portion of the City's net position (64.9%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, infrastructure and water rights), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's net investment in capital assets increased as a result of additions to buildings, machinery and equipment, improvements, and infrastructure, while long-term debt decreased due to scheduled debt payments being made.

An additional portion of the City's net position (3.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,127,106 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position increased \$2,545,113 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

## CITY OF VENUS' CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,008,823	\$ 908,602	\$ 3,412,291	\$ 3,049,697	\$ 4,421,114	\$ 3,958,299
Operating grants and contributions	139,962	165,004	-	-	139,962	165,004
Capital grants and contributions	85,385	32,970	1,453,306	49,200	1,538,691	82,170
<b>General revenues:</b>						
Property taxes	2,052,006	1,846,427	-	-	2,052,006	1,846,427
Sales taxes	1,198,123	942,411	-	-	1,198,123	942,411
Franchise taxes	131,650	127,867	-	-	131,650	127,867
Investment earnings	15,718	30,105	16,697	19,478	32,415	49,583
Gain on sale of assets	-	39,498	-	18,101	-	57,599
Miscellaneous	9,232	10,221	-	-	9,232	10,221
<b>Total revenues</b>	<b>4,640,899</b>	<b>4,103,105</b>	<b>4,882,294</b>	<b>3,136,476</b>	<b>9,523,193</b>	<b>7,239,581</b>
<b>Expenses:</b>						
General government	705,073	785,642	-	-	705,073	785,642
Public safety	1,483,667	1,400,448	-	-	1,483,667	1,400,448
Public works	634,835	621,233	-	-	634,835	621,233
Culture and recreation	9,438	94	-	-	9,438	94
Economic development	682,782	524,986	-	-	682,782	524,986
Interest and other	167,843	260,044	-	-	167,843	260,044
Water and sewer	-	-	3,294,442	2,701,245	3,294,442	2,701,245
<b>Total expenses</b>	<b>3,683,638</b>	<b>3,592,447</b>	<b>3,294,442</b>	<b>2,701,245</b>	<b>6,978,080</b>	<b>6,293,692</b>
Increase (decrease) in net position before transfers	957,261	510,658	1,587,852	435,231	2,545,113	945,889
Transfers	229,705	(172,250)	(229,705)	172,250	-	-
<b>Increase (decrease) in net position</b>	<b>1,186,966</b>	<b>338,408</b>	<b>1,358,147</b>	<b>607,481</b>	<b>2,545,113</b>	<b>945,889</b>
Net position, beginning	5,515,667	6,555,859	5,114,907	4,953,084	10,630,574	11,508,943
Prior period adjustment	-	(1,378,600)	-	(445,658)	-	(1,824,258)
<b>Net position, ending</b>	<b>\$ 6,702,633</b>	<b>\$ 5,515,667</b>	<b>\$ 6,473,054</b>	<b>\$ 5,114,907</b>	<b>\$ 13,175,687</b>	<b>\$ 10,630,574</b>

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$1,186,966 from the prior fiscal year for an ending balance of \$6,702,633. Revenues increased \$537,794 due to an increase in tax revenue. Expenses increased \$91,191 as a result of increased economic development and public safety costs.

**Business-type Activities.** For the City's business-type activities, the current fiscal year resulted in a net increase in net position to an ending balance of \$6,473,054. The total increase in net position for business-type activities (water and sewer operations and sanitation service) was \$1,358,147 from the prior fiscal year. Revenues from charges for services increased 11.9%. Revenues from capital grants and contributions increased due to large developer contributions. Total expenses increased 22.0% (\$593,197) in the current fiscal year.

### Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2021, the City's governmental funds reported combined fund balances of \$7,161,931, an increase of \$164,030 in comparison with the prior year. Approximately 32.7% of this amount (\$2,342,841) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is nonspendable (\$1,508), restricted for particular purposes (\$4,557,582), or committed to future projects (\$260,000).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned and total fund balance of the general fund was \$2,342,841 and \$2,359,349, respectively. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned and total fund balance represent approximately 66.9% and 67.4% of total general fund expenditures, respectively. The fund balance of the City's general fund increased by \$405,279 during the current fiscal year due to an increase in property and sales tax revenues.

The fund balance of the Debt Service fund increased to \$8,766 at the end of the fiscal year. An excess of debt service expenditures over property tax revenue was offset by transfers in from other funds.

The fund balance of the City's 2020 CO Bonds fund decreased by \$92,643 during the current fiscal year due to ongoing construction projects funded by the original bond issuance.

The Grant fund's revenues and expenditures both totaled \$9,438, resulting in no net change to ending fund balance. This is typically the case with funds wholly subsidized by federal and state grants.

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

Unrestricted net position of the Water and Sewer fund at the end of the year was \$1,407,522. The total growth in net position was \$1,358,147. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

**General Fund Budgetary Highlights.**

*Final budget compared to actual results.* General fund actual revenues of \$3,668,457 exceeded budgeted revenues of \$3,118,470 by \$549,987. Following are the main components that experienced a variance of actual revenue compared to budgeted revenue:

- The \$231,984 positive variance in sales tax resulted from growth in retail activity and inflation.
- The \$292,260 positive variance in charges for services resulted from an exceptionally large inspection fee related to the City's contribution to developers' infrastructure projects.
- Actual general fund expenditures of \$3,349,470 exceeded budgeted expenditures of \$3,502,961 by \$153,491.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, can be found below (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, infrastructure, and water rights. The total increase in capital assets for the current fiscal year was approximately 20.9%.

**CITY OF VENUS' CAPITAL ASSETS**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 445,032	\$ 445,032	\$ 25,270	\$ 25,270	\$ 470,302	\$ 470,302
Construction in progress	368,370	42,293	1,817,168	69,063	2,185,538	111,356
Buildings	1,822,334	1,877,854	55,102	56,880	1,877,436	1,934,734
Machinery and equipment	455,210	288,207	111,670	177,047	566,880	465,254
Improvements and infrastructure	2,978,228	2,680,450	3,854,493	3,966,172	6,832,721	6,646,622
Water rights	-	-	871,189	961,248	871,189	961,248
Totals	<u>\$ 6,069,174</u>	<u>\$ 5,333,836</u>	<u>\$ 6,734,892</u>	<u>\$ 5,255,680</u>	<u>\$ 12,804,066</u>	<u>\$ 10,589,516</u>

Major capital asset events during the current fiscal year included the following:

- Completed county road improvements of \$386,853.
- Police vehicles of \$234,456.
- Water infrastructure construction in progress of \$1,748,105

Additional information on the City's capital assets can be found in Note II C of this report.

## Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$8,385,000, which is secured by property taxes and the net revenues of the City's combined waterworks and sewer system. The remainder of the City's long-term obligations comprises contract payable, note payable, and capital leases payable.

### CITY OF VENUS' OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Certificates of obligation	\$ 6,145,000	\$ 6,390,000	\$ 1,860,000	\$ 1,895,000	\$ 8,005,000	\$ 8,285,000
General obligation bonds	-	-	380,000	565,000	380,000	565,000
Premiums on debt	250,158	261,025	93,297	97,538	343,455	358,563
Contract payable	-	-	620,000	697,500	620,000	697,500
Note payable	-	191,418	-	-	-	191,418
Capital leases payable	239,783	45,964	21,513	42,339	261,296	88,303
Compensated absences	86,963	63,791	12,256	7,231	99,219	71,022
Totals	\$ 6,721,904	\$ 6,952,198	\$ 2,987,066	\$ 3,304,608	\$ 9,708,970	\$ 10,256,806

Additional information on the City's long term-debt can be found in Note 11 D of this report.

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

Fiscal year 2020-2021 ended in an overall positive financial position. The City of Venus embarked on multiple initiatives designed to be proactive in planning the City's future, including economic development policies and evaluation of critical enterprise infrastructure. The population of Venus continues to increase significantly with any new residential developments. Commercial activity has also increased, creating more business opportunities within the City.

The City's ad valorem tax rate decreased slightly from \$.838991 to \$.807224 for FY 2021-2022. The decrease was largely attributable to an increase in net taxable property values. This allowed for the City to increase revenues while lowering the overall tax rate for the fiscal year 2022. Sales tax revenue in FY 2021-2022 increased by 8.6% compared to the prior year.

Total General Fund revenues in the FY 2021-2022 operating budget are projected to increase by 22% compared to the FY 2020-2021 budget, while expenditures are expected to increase by 10%.

Upcoming capital projects in FY 2021-2022 include continuing the improvements to the wastewater treatment plant, an elevated storage tank, a pump station, new SCADA equipment, and City Hall and fire department building improvements.

## REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Secretary, City of Venus, 700 W. US Highway 67, Venus, Texas 76084.



## **BASIC FINANCIAL STATEMENTS**

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**CITY OF VENUS, TEXAS**

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,377,221	\$ 1,762,255	\$ 4,139,476
Restricted assets	5,148,144	1,685,429	6,833,573
Investments	533,095	80,386	613,481
Receivables (net of allowance)	424,900	124,387	549,287
Prepaid items	1,508	29,500	31,008
Net pension asset	56,935	13,019	69,954
Capital assets:			
Non-depreciable	813,402	1,842,438	2,655,840
Depreciable, net	<u>5,255,772</u>	<u>4,892,454</u>	<u>10,148,226</u>
Total assets	<u>14,610,977</u>	<u>10,429,868</u>	<u>25,040,845</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related	<u>116,979</u>	<u>26,747</u>	<u>143,726</u>
Total deferred outflows	<u>116,979</u>	<u>26,747</u>	<u>143,726</u>
<b>LIABILITIES</b>			
Accounts payable	481,367	230,487	711,854
Accrued liabilities	23,814	7,562	31,376
Customer deposits	-	74,825	74,825
Retainage payable	-	136,515	136,515
Unearned revenue	676,372	494,556	1,170,928
Accrued interest payable	40,208	33,879	74,087
Noncurrent liabilities:			
Due within one year			
Long-term debt	289,526	330,077	619,603
Due in more than one year			
Long-term debt	<u>6,432,378</u>	<u>2,656,989</u>	<u>9,089,367</u>
Total liabilities	<u>7,943,665</u>	<u>3,964,890</u>	<u>11,908,555</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related	<u>81,658</u>	<u>18,671</u>	<u>100,329</u>
Total deferred inflows	<u>81,658</u>	<u>18,671</u>	<u>100,329</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,483,990	5,065,532	8,549,522
Restricted for:			
Economic development	407,647	-	407,647
Public safety	20,781	-	20,781
Public works	70,631	-	70,631
Unrestricted	<u>2,719,584</u>	<u>1,407,522</u>	<u>4,127,106</u>
Total net position	<u>\$ 6,702,633</u>	<u>\$ 6,473,054</u>	<u>\$ 13,175,687</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF VENUS, TEXAS**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 705,073	\$ 893,685	\$ 132,143	\$ -
Public safety	1,483,667	75,007	7,819	-
Culture and recreation	9,438	38,806	-	9,438
Public works	634,835	-	-	75,947
Economic development	682,782	1,325	-	-
Interest and other	167,843	-	-	-
Total governmental activities	<u>3,683,638</u>	<u>1,008,823</u>	<u>139,962</u>	<u>85,385</u>
Business-type activities:				
Water and sewer	2,805,395	2,905,965	-	1,453,306
Sanitation service	489,047	506,326	-	-
Total business-type activities	<u>3,294,442</u>	<u>3,412,291</u>	<u>-</u>	<u>1,453,306</u>
Total primary government	<u>\$ 6,978,080</u>	<u>\$ 4,421,114</u>	<u>\$ 139,962</u>	<u>\$ 1,538,691</u>
General revenues:				
Taxes:				
Property				
Sales				
Franchise				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning of year				
Net position - end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenues and Changes in Net Position

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ 320,755	\$ -	\$ 320,755
( 1,400,841)	-	( 1,400,841)
38,806	-	38,806
( 558,888)	-	( 558,888)
( 681,457)	-	( 681,457)
( 167,843)	-	( 167,843)
<u>( 2,449,468)</u>	<u>-</u>	<u>( 2,449,468)</u>
-	1,553,876	1,553,876
-	17,279	17,279
-	<u>1,571,155</u>	<u>1,571,155</u>
<u>( 2,449,468)</u>	<u>1,571,155</u>	<u>( 878,313)</u>
2,052,006	-	2,052,006
1,198,123	-	1,198,123
131,650	-	131,650
15,718	16,697	32,415
9,232	-	9,232
<u>229,705</u>	<u>( 229,705)</u>	<u>-</u>
<u>3,636,434</u>	<u>( 213,008)</u>	<u>3,423,426</u>
<u>1,186,966</u>	<u>1,358,147</u>	<u>2,545,113</u>
<u>5,515,667</u>	<u>5,114,907</u>	<u>10,630,574</u>
<u>\$ 6,702,633</u>	<u>\$ 6,473,054</u>	<u>\$ 13,175,687</u>

**CITY OF VENUS, TEXAS**

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	<u>General</u>	<u>Debt Service</u>	<u>2020 CO Bonds</u>	<u>Grant</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash & cash equivalents	\$ 2,045,575	\$ -	\$ -	\$ -	\$ 331,646	\$ 2,377,221
Restricted cash & cash equivalents	15,000	8,301	4,071,185	531,727	521,931	5,148,144
Investments	533,095	-	-	-	-	533,095
Receivables (net of allowance)	340,709	2,231	-	-	81,960	424,900
Prepaid items	1,508	-	-	-	-	1,508
Total assets	<u>2,935,887</u>	<u>10,532</u>	<u>4,071,185</u>	<u>531,727</u>	<u>935,537</u>	<u>8,484,868</u>
<b>LIABILITIES</b>						
Accounts payable	370,049	340	13,951	-	97,027	481,367
Accrued liabilities	23,403	-	-	-	411	23,814
Unearned revenue	43,128	-	-	531,727	101,517	676,372
Total liabilities	<u>436,580</u>	<u>340</u>	<u>13,951</u>	<u>531,727</u>	<u>198,955</u>	<u>1,181,553</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	16,472	1,426	-	-	-	17,898
Unavailable revenue - fines & fees	123,486	-	-	-	-	123,486
Total deferred inflows of resources	<u>139,958</u>	<u>1,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,384</u>
<b>FUND BALANCES</b>						
Non-spendable for:						
Prepaid items	1,508	-	-	-	-	1,508
Restricted for:						
Debt service	-	8,766	-	-	-	8,766
Public safety	15,000	-	-	-	5,781	20,781
Capital projects	-	-	4,057,234	-	-	4,057,234
Streets	-	-	-	-	63,154	63,154
Economic development	-	-	-	-	407,647	407,647
Committed for:						
Capital projects	-	-	-	-	260,000	260,000
Unassigned	2,342,841	-	-	-	-	2,342,841
Total fund balances	<u>2,359,349</u>	<u>8,766</u>	<u>4,057,234</u>	<u>-</u>	<u>736,582</u>	<u>7,161,931</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,935,887</u>	<u>\$ 10,532</u>	<u>\$ 4,071,185</u>	<u>\$ 531,727</u>	<u>\$ 935,537</u>	<u>\$ 8,484,868</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF VENUS, TEXAS**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2021

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

Total fund balance governmental funds	\$ 7,161,931
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	6,069,174
The net pension asset does not represent a current financial resource and therefore is not reported in the funds.	56,935
Uncollected revenues are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	
Property taxes	17,898
Court fines	123,486
Long-term liabilities, including bonds payable, notes payable, capital leases, and compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	
Bonds payable	( 6,145,000)
Issuance premium	( 250,158)
Capital leases payable	( 239,783)
Compensated absences	( 86,963)
Deferred inflows of resources - pension related	( 81,658)
Deferred outflows of resources - pension related	116,979
Interest payable on long-term debt in the City's governmental activities is not payable from current resources and therefore is not reported in the governmental funds balance sheet.	( 40,208)
Net position of governmental activities	\$ <u>6,702,633</u>

**CITY OF VENUS, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General	Debt Service	2020 CO Bonds	Grant	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes and assessments	\$ 1,632,653	\$ 363,823	\$ -	\$ -	\$ 59,925	\$ 2,056,401
Sales taxes	748,827	-	-	-	449,296	1,198,123
Franchise taxes	131,650	-	-	-	-	131,650
Licenses and permits	581,224	-	-	-	-	581,224
Fines and forfeitures	68,274	-	-	-	6,053	74,327
Charges for services	330,960	-	-	-	-	330,960
Intergovernmental	134,077	-	-	9,438	-	143,515
Contributions and donations	23,921	-	-	-	59,236	83,157
Investment earnings	12,592	615	2,055	-	456	15,718
Miscellaneous	4,279	-	4,953	-	-	9,232
Total revenues	<u>3,668,457</u>	<u>364,438</u>	<u>7,008</u>	<u>9,438</u>	<u>574,966</u>	<u>4,624,307</u>
<b>EXPENDITURES</b>						
Current:						
General government	617,543	-	-	-	-	617,543
Public safety	1,447,717	-	-	-	1,921	1,449,638
Culture and recreation	-	-	-	9,438	-	9,438
Public works	331,713	-	-	-	129,158	460,871
Economic development	542,672	-	-	-	86,237	628,909
Capital outlay	311,880	-	99,651	-	690,743	1,102,274
Debt service:						
Principal	237,382	245,000	-	-	-	482,382
Interest and fiscal charges	14,054	164,656	-	-	-	178,710
Total expenditures	<u>3,502,961</u>	<u>409,656</u>	<u>99,651</u>	<u>9,438</u>	<u>908,059</u>	<u>4,929,765</u>
Excess (deficiency) of revenue over expenditures	<u>165,496</u>	<u>( 45,218)</u>	<u>( 92,643)</u>	<u>-</u>	<u>( 333,093)</u>	<u>( 305,458)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt	239,783	-	-	-	-	239,783
Transfers in	-	50,000	-	-	347,981	397,981
Transfers out	-	-	-	-	( 168,276)	( 168,276)
Total other financing sources (uses)	<u>239,783</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>179,705</u>	<u>469,488</u>
Net change in fund balances	<u>405,279</u>	<u>4,782</u>	<u>( 92,643)</u>	<u>-</u>	<u>( 153,388)</u>	<u>164,030</u>
<b>FUND BALANCE - BEGINNING</b>	<u>1,954,070</u>	<u>3,984</u>	<u>4,149,877</u>	<u>-</u>	<u>889,970</u>	<u>6,997,901</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 2,359,349</u>	<u>\$ 8,766</u>	<u>\$ 4,057,234</u>	<u>\$ -</u>	<u>\$ 736,582</u>	<u>\$ 7,161,931</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF VENUS, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

Net change in fund balance - total governmental funds \$ 164,030

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay 1,094,246  
Depreciation expense ( 352,068)  
Disposal of capital assets ( 6,840)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of these differences are as follows:

Property taxes ( 4,395)  
Court fines 20,987

Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. The details of these differences are as follows:

Net pension asset 40,712

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

Issuance of debt ( 239,783)  
Payments on bonds 245,000  
Payments on capital leases 45,964  
Payments on notes payable 191,418  
Amortization of premium on bond issuance 10,867  
Compensated absences ( 23,172)

Change in net position of governmental activities \$ 1,186,966

**CITY OF VENUS, TEXAS**

STATEMENT OF NET POSITION  
PROPRIETARY FUND

SEPTEMBER 30, 2021

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,762,255
Restricted cash and cash equivalents	1,685,429
Investments	80,386
Receivables (net of allowance)	124,387
Prepaid items	29,500
Total current assets	<u>3,681,957</u>
Noncurrent assets:	
Net pension asset	13,019
Capital assets:	
Non-depreciable	1,842,438
Depreciable, net	<u>4,892,454</u>
Total noncurrent assets	<u>6,747,911</u>
Total assets	<u>10,429,868</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>26,747</u>
Total deferred outflows of resources	<u>26,747</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	230,487
Accrued liabilities	7,562
Accrued interest payable (payable from restricted cash)	33,879
Customer deposits	74,825
Retainage payable	136,515
Unearned revenue	494,556
Compensated absences	3,064
Capital leases payable	21,513
Bonds payable	228,000
Contract payable	77,500
Total current liabilities	<u>1,307,901</u>
Noncurrent liabilities:	
Compensated absences	9,192
Bonds payable	2,105,297
Contract payable	542,500
Total noncurrent liabilities	<u>2,656,989</u>
Total liabilities	<u>3,964,890</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>18,671</u>
Total deferred inflows of resources	<u>18,671</u>
<b>NET POSITION</b>	
Net investment in capital assets	5,065,532
Unrestricted	<u>1,407,522</u>
Total net position	<u>\$ 6,473,054</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF VENUS, TEXAS**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water and sewer service	\$ 2,902,428
Sanitation service	506,326
Miscellaneous	3,537
Total operating revenues	<u>3,412,291</u>
<b>OPERATING EXPENSES</b>	
Personnel services	421,399
Materials and supplies	100,635
Contractual services	2,353,981
Depreciation	300,700
Total operating expenses	<u>3,176,715</u>
Operating income (loss)	<u>235,576</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	16,697
Interest expense	( 117,727)
Total nonoperating revenues	<u>( 101,030)</u>
Income before transfers and contributions	134,546
Transfers out	( 229,705)
Capital contributions	<u>1,453,306</u>
Change in net position	<u>1,358,147</u>
<b>NET POSITION - BEGINNING</b>	<u>5,114,907</u>
<b>NET POSITION - ENDING</b>	<u>\$ 6,473,054</u>

**CITY OF VENUS, TEXAS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 3,604,754
Payments to suppliers	( 2,398,200)
Payments to employees	( 1,122,468)
Net cash provided (used) by operating activities	<u>84,086</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	( 229,705)
Net cash provided (used) by noncapital financing activities	<u>( 229,705)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	( 1,643,397)
Principal paid on bond maturities	( 220,000)
Interest and fiscal charges paid on bonds	( 82,206)
Capital contributions	1,501,223
Principal paid on contract payable	( 77,500)
Interest paid on contract payable	( 38,363)
Principal paid on capital lease	( 20,826)
Interest paid on capital lease	( 1,399)
Net cash provided (used) by capital and related financing activities	<u>( 582,468)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	16,697
Purchase of investments	( 389)
Net cash provided (used) by investing activities	<u>16,308</u>
Net increase (decrease) in cash and cash equivalents	<u>( 711,779)</u>
Cash and cash equivalents - beginning	<u>4,159,463</u>
Cash and cash equivalents - ending	<u>\$ 3,447,684</u>

**CITY OF VENUS, TEXAS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 235,576
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	300,700
(Increase) decrease in accounts receivable	206,420
(Increase) decrease in prepaids	( 28,710)
(Increase) decrease in net pension asset	( 8,772)
(Increase) decrease in deferred outflows related to pensions	( 1,956)
Increase (decrease) in accounts payable	85,126
Increase (decrease) in accrued liabilities	( 702,429)
Increase (decrease) in customer deposits	( 13,957)
Increase (decrease) in compensated absences	5,025
Increase (decrease) in deferred inflows related to pensions	<u>7,063</u>
Total adjustments	<u>( 151,490)</u>
Net cash provided (used) by operating activities	\$ <u>84,086</u>

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# CITY OF VENUS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

The City of Venus, Texas (the "City") is a general law municipality and was incorporated in 1904. The City exercises all powers of self-government, and all power enumerated in Chapter 13, Title 28, Revised Civil Statutes of the State of Texas of 1925.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

**Blended component unit.** The Corporation described below is included in the City's reporting entity because the City appoints the governing body, and the Corporation is fiscally dependent on the City. The Corporation is reported as a blended component unit because the governing body is substantively the same as the governing body of the City.

The *Venus Community Service Development Corporation* (the "Corporation") is responsible for disbursing the one-fourth percent sales tax to be used for economic and industrial development within the City. The members of the Corporation's board are appointed by the City and are comprised of seven directors. At least four of the directors shall be members of the Venus City Council and the remaining three directors shall be persons who are not employees, officers or members of the governing body of the City. These three directors serve at the pleasure of the City Council. The City can impose its will on the Corporation by significantly influencing the program, projects, activities, or level of service performed by the Corporation. The Corporation is presented as a governmental fund type and has a September 30 year end.

Separate financial statements for the Corporation are not issued.

#### B. Basis of presentation - 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 of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**C. Basis of presentation - fund financial statements**

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

The City reports the following major governmental funds:

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

The Debt Service Fund is used to account for the property taxes levied for the purposes of making debt service payments.

The 2020 CO Bonds Fund is a capital projects fund used to account for improvements to streets from issuance of certificates of obligation.

The Grant Fund is a special revenue fund that is used to account for the proceeds of grants that are restricted to expenditures for specific purposes.

The City reports the following major proprietary fund:

The Water and Sewer Fund accounts for the activities of the sewage collection system, the water distribution system, and sanitation services.

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

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

**D. Measurement focus and basis of accounting**

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

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



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

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

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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

1. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool and Texas TERM.

The State Comptroller of Public Accounts oversees TexPool. Federated Investors is the full service provider to the pools managing the assets, providing participant services, and arranging for all custody and other functions in support of the pools operations under a contract with the Comptroller.

TexPool is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pools seek to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool, like its participants, is governed by the Texas Public Funds Investment Act, and is in full compliance with the Act.

Texas TERM is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is a fixed-rate, fixed-term portfolio, rated AA+ by Fitch Ratings, that enables investors to lock in a fixed rate for a term of 60 days to 365 days. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools.

TexPool and Texas TERM have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

3. Receivables and allowances for doubtful accounts

All trade and property tax receivables are shown net of an allowance for uncollectible. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectible.

4. Prepaid items

Certain costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

5. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the government constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	5-40
Machinery and equipment	5-10
Infrastructure	20-50
Water rights	37

6. Deferred outflows/inflows of resources

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

- Deferred outflow of resources related to changes in actuarial assumptions of the City's defined benefit pension plan,
- Deferred outflows of resources for contributions made to the City's defined benefit pension plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year,

- Deferred outflow of resources related to the difference between expected and actual pension experience data used by the actuary, and
- Deferred outflow of resources related to the differences between the projected and actual investment earnings for the City's multiple employer defined benefit plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for:

- Deferred inflows of resources for differences between expected and actual experience data used by the actuary, and
- Deferred inflows of resources for differences between projected and actual investment earnings.

In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenue from property taxes is reported in the governmental funds balance sheet.

7. Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Pensions

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

9. Net position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net position is classified in the following categories:

*Net investment in capital assets* — This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted net position* — This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted net position* — This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

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

#### 10. Fund balance

The governmental fund financial statements present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

*Nonspendable fund balance* — amounts that are not in spendable form (such as inventories and prepaid items) or are required to be maintained intact.

*Restricted fund balance* — amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Committed fund balance* — amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance.

*Assigned fund balance* — amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

*Unassigned fund balance* — amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

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

### **F. Revenues and expenditures/expenses**

#### 11. Program revenues

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

12. Property taxes

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Central Appraisal District of Johnson County as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Johnson County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

13. Compensated absences

The City's policy permits employees to accumulate earned but unused vacation benefits. The liability for such unused vacation is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Unused vacation shall be taken during the year following its accumulation.

14. Proprietary funds operating and nonoperating revenues and expenses

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

**II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and investments**

Investments - Acceptable investments under the City's investment policy shall be limited to the following instruments and as further described by the Public Funds Investment Act: (1) obligations of, or guaranteed by governmental entities, (2) certificates of deposit and share certificates, (3) repurchase agreements, (4) banker's acceptances, (5) commercial paper, (6) mutual funds, (7) investment pools, and (8) existing investments of the Government Code and any other investment authorized by the State of Texas for cities.

The City's investments for the year ended September 30, 2021 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
TexPool	\$ 6,289,124	38
TexasTERM	12,331	57
Certificates of Deposit	<u>613,481</u>	90
Total	<u>\$ 6,914,936</u>	
Portfolio Weighted Average Maturity		42

*Custodial credit risk.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes as of September 30, 2021. At year end, the bank balance of the City's deposits was \$11,586,530 All of the bank balance was covered by collateral pledged in the City's name.

Generally, *credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of September 30, 2021, the City's investment in both TexPool and TexasTERM are rated AAAM by Standard & Poor's.

*Concentration of credit risk.* The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

TexPool and TexasTERM are considered a cash equivalent on the Government-wide Statement of Net Position and on the Balance Sheets of the Fund Financial Statements.

## B. Receivables

Receivables as of year-end for the City's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	General Fund	Debt Service	Nonmajor Governmental	Water and Sewer	Totals
Accounts	\$ 1,286,843	\$ -	\$ -	\$ 284,936	\$ 1,571,779
Taxes & assessments	<u>176,536</u>	<u>2,231</u>	<u>81,960</u>	<u>-</u>	<u>260,727</u>
Gross receivables	1,463,379	2,231	81,960	284,936	1,832,506
Less: allowance for uncollectibles	<u>( 1,122,670)</u>	<u>-</u>	<u>-</u>	<u>( 160,549)</u>	<u>( 1,283,219)</u>
Total receivables, net	<u>\$ 340,709</u>	<u>\$ 2,231</u>	<u>\$ 81,960</u>	<u>\$ 124,387</u>	<u>\$ 549,287</u>

## C. Capital assets

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

	Beginning Balance	Increases	Decreases	Adjustments/Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 445,032	\$ -	\$ -	\$ -	\$ 445,032
Construction in progress	<u>42,293</u>	<u>712,930</u>	<u>-</u>	<u>( 386,853)</u>	<u>368,370</u>
Total capital assets, not being depreciated	<u>487,325</u>	<u>712,930</u>	<u>-</u>	<u>( 386,853)</u>	<u>813,402</u>
Capital assets, being depreciated:					
Buildings	2,250,770	7,100	-	-	2,257,870
Machinery and equipment	861,419	291,223	-	33,785	1,186,427
Infrastructure	<u>3,365,972</u>	<u>82,993</u>	<u>-</u>	<u>386,853</u>	<u>3,835,818</u>
Total capital assets, being depreciated	<u>6,478,161</u>	<u>381,316</u>	<u>-</u>	<u>420,638</u>	<u>7,280,115</u>
Less: accumulated depreciation					
Buildings	( 372,916)	( 62,620)	-	-	( 435,536)
Machinery and equipment	( 573,212)	( 117,380)	-	( 40,625)	( 731,217)
Infrastructure	<u>( 685,522)</u>	<u>( 172,068)</u>	<u>-</u>	<u>-</u>	<u>( 857,590)</u>
Total accumulated depreciation	<u>( 1,631,650)</u>	<u>( 352,068)</u>	<u>-</u>	<u>( 40,625)</u>	<u>( 2,024,343)</u>
Total capital assets being depreciated, net	<u>4,846,511</u>	<u>29,248</u>	<u>-</u>	<u>380,013</u>	<u>5,255,772</u>
Governmental activities capital assets, net	<u>\$ 5,333,836</u>	<u>\$ 742,178</u>	<u>\$ -</u>	<u>\$ ( 6,840)</u>	<u>\$ 6,069,174</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 25,270	\$ -	\$ -	\$ 25,270
Construction in Progress	69,063	1,748,105	-	1,817,168
Total capital assets, not being depreciated	94,333	1,748,105	-	1,842,438
Capital assets, being depreciated:				
Buildings	71,099	-	-	71,099
Machinery and equipment	371,257	-	-	371,257
Improvements & infrastructure	6,856,621	31,807	-	6,888,428
Water rights	2,014,700	-	-	2,014,700
Total capital assets, being depreciated	9,313,677	31,807	-	9,345,484
Less: accumulated depreciation				
Buildings	( 14,219)	( 1,778)	-	( 15,997)
Machinery and equipment	( 194,210)	( 65,377)	-	( 259,587)
Improvements & infrastructure	( 2,890,449)	( 143,486)	-	( 3,033,935)
Water rights	( 1,053,452)	( 90,059)	-	( 1,143,511)
Total accumulated depreciation	( 4,152,330)	( 300,700)	-	( 4,453,030)
Total capital assets being depreciated, net	5,161,347	( 268,893)	-	4,892,454
Business-Type activities capital assets, net	\$ 5,255,680	\$ 1,479,212	\$ -	\$ 6,734,892

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Government activities:

General government	\$ 56,957
Public safety	59,029
Public works	178,493
Economic development	57,589
Total	\$ <u>352,068</u>

Business-type activities:

Water and sewer	\$ 300,700
Total	\$ <u>300,700</u>

**D. Long-term debt**

Certificates of obligation

The City issues certificates of obligation to provide funds for the acquisition and construction of major capital projects. Certificates of obligation have been issued for governmental and business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government. Certificates of obligation outstanding as of September 30, 2021 are as follows:

	Issue Amount	Maturity Date	Interest Rate	Ending Balance
<u>Governmental activities:</u>				
Certificates of Obligation, Series 2018	\$ 2,450,000	6/13/2018	2.00-4.00%	\$ 2,155,000
Certificates of Obligation, Series 2020	\$ 4,175,000	2/15/2045	2.00-4.00%	3,990,000
Total				\$ <u>6,145,000</u>
<u>Business-type activities:</u>				
Certificates of Obligation, Series 2018	\$ 1,950,000	6/13/2018	2.00-4.00%	\$ <u>1,860,000</u>

The debt service requirements for the City's certificates of obligation are as follows:

Fiscal Year	Governmental Activities		Total
	Principal	Interest	
2022	\$ 190,000	\$ 159,720	\$ 349,720
2023	200,000	152,220	352,220
2024	205,000	144,820	349,820
2025	215,000	138,570	353,570
2026	220,000	132,770	352,770
2027-2031	1,185,000	577,230	1,762,230
2032-2036	1,330,000	429,143	1,759,143
2037-2041	1,525,000	245,663	1,770,663
2042-2045	1,075,000	43,600	1,118,600
Total	\$ 6,145,000	\$ 2,023,736	\$ 8,168,736

Fiscal Year	Business-type Activities		Total
	Principal	Interest	
2022	\$ 40,000	\$ 73,400	\$ 113,400
2023	40,000	72,000	112,000
2024	60,000	70,000	130,000
2025	60,000	67,600	127,600
2026	65,000	65,100	130,100
2027-2031	365,000	283,900	648,900
2032-2036	440,000	203,400	643,400
2037-2041	545,000	105,100	650,100
2042-2045	245,000	9,900	254,900
Total	\$ 1,860,000	\$ 950,400	\$ 2,810,400

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at September 30, 2021 are as follows:

	Issue Amount	Maturity Date	Interest Rate	Ending Balance
<u>Business-type activities:</u>				
General Obligation Refunding Bonds, Series 2016	\$ 1,272,000	2/15/2023	1.84%	\$ 380,000

The debt service requirements for the City's general obligation bonds are as follows:

Fiscal Year	Business-type Activities		Total
	Principal	Interest	
2022	\$ 188,000	\$ 5,262	\$ 193,262
2023	192,000	1,766	193,766
Total	\$ 380,000	\$ 7,028	\$ 387,028

Contract payable

On October 28, 2009, the City entered into a contract with Trinity River Authority (TRA) to become a Contracting Party of the Mountain Creek Regional Wastewater System. The City agreed to a system contribution buy-in amount of \$1,550,000 payable in 20 annual installments of \$77,500 plus 5.5% interest on the unpaid balance. The annual payments, beginning December 2009, are to be allocated to the original Contracting Parties, based upon flow rates of the current year and each subsequent year.



The debt service requirements for the City's contract payable are as follows:

Fiscal Year	Business-type Activities		Total
	Principal	Interest	
2022	\$ 77,500	\$ 34,100	\$ 111,600
2023	77,500	29,838	107,338
2024	77,500	25,575	103,075
2025	77,500	21,313	98,813
2026	77,500	17,050	94,550
2027-2029	<u>232,500</u>	<u>25,575</u>	<u>258,075</u>
Total	\$ <u>620,000</u>	\$ <u>153,451</u>	\$ <u>773,451</u>

### Capital leases

The City is obligated under capital leases for police vehicles, large equipment, and an interim wastewater treatment plant. At year end, the police vehicles, and equipment carry a historical cost of \$234,456, and \$82,019 respectively, and accumulated depreciation of \$111,532, and \$61,514 respectively.

The outstanding leases at September 30, 2021 are as follows:

	Amount Payable
<u>Governmental activities:</u>	
2021 Chevy Tahoes payable in annual installments of \$84,331, including interest of 2.73%, with final payment due in February 2024.	\$ <u>239,783</u>
Total	\$ <u>239,783</u>
<u>Business-type activities:</u>	
\$22,225, including interest of 3.30%, with final payment due in December 2021.	\$ <u>21,513</u>
Total	\$ <u>21,513</u>

The debt service requirements for the City's capital leases are as follows:

Fiscal Year	Governmental Activities	Business-type Activities
2022	\$ 84,331	\$ 22,223
2023	84,331	-
2024	<u>84,331</u>	<u>-</u>
Total amount of minimum lease payments	252,993	22,223
Less: amount representing interest	( 13,210)	( 710)
Present value of minimum lease payments	\$ <u>239,783</u>	\$ <u>21,513</u>

### Operating (Non-capitalized) leases

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of September 31, 2021, as follows:

Fiscal Year	Business-type Activities
2022	\$ 177,000
2023	177,000
2024	177,000
2025	177,000
2026	<u>73,750</u>
Total amount of minimum lease payments	781,750
Less: amount representing interest	( 27,635)
Present value of minimum lease payments	\$ <u>754,115</u>

This comprises a single lease of an interim wastewater treatment plant for one of the suburbs within the City. Minimum future rental payments on copiers, shown above, include base charges for rent and maintenance as required by the lease agreements. The actual rental expense also includes excess copy charges.

### Compensated absences

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund and Water and Sewer Fund based on the assignment of an employee at termination.

Changes in the City's long-term liabilities for the year ended September 30, 2021 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
Certificates of obligation	\$ 6,390,000	\$ -	\$ ( 245,000)	\$ 6,145,000	\$ 190,000
Premium on debt	261,025	-	( 10,867)	250,158	-
Notes payable	191,418	-	( 191,418)	-	-
Capital leases payable	45,964	239,783	( 45,964)	239,783	77,785
Compensated absences	63,791	151,296	( 128,124)	86,963	21,741
Total	<u>\$ 6,952,198</u>	<u>\$ 391,079</u>	<u>\$ ( 621,373)</u>	<u>\$ 6,721,904</u>	<u>\$ 289,526</u>
	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<u>Business-type activities:</u>					
Certificates of obligation	\$ 1,895,000	\$ -	\$ ( 35,000)	\$ 1,860,000	\$ 40,000
General obligation bonds	565,000	-	( 185,000)	380,000	188,000
Premium on debt	97,538	-	( 4,241)	93,297	-
Contract payable	697,500	-	( 77,500)	620,000	77,500
Capital leases payable	42,339	-	( 20,826)	21,513	21,513
Compensated absences	7,231	24,898	( 19,873)	12,256	3,064
Total	<u>\$ 3,304,608</u>	<u>\$ 24,898</u>	<u>\$ ( 342,440)</u>	<u>\$ 2,987,066</u>	<u>\$ 330,077</u>

## **E. Defined benefit pension plan – Texas Municipal Retirement System**

### Plan description

The City participates as one of 888 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.org](http://www.tmrs.org).

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.

Starting in 2007, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount which considers salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, in 2010, the City adopted a modification to its annually repeating (automatic) basis cost of living adjustments (COLA) for retirees to 70% of the change in the consumer price index (CPI).

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% repeating, transfers
Annuity increase to retirees	70% of CPI repeating

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>26</u>
Total	<u><u>59</u></u>

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 10.62% and 10.54% in calendar years 2021 and 2020, respectively. The City's total contributions to TMRS for the year ended September 30, 2021, were \$168,818, and were equal to the required contributions.

Net pension liability (asset)

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

Within the governmental activities, the General Fund generally liquidates the net pension liability (asset). In the business-type activities, the net pension liability (asset) is liquidated by the Water and Sewer Fund.

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50% to 11.50%, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolutely return	10.0%	3.48%
Private equity	10.0%	7.75%
Total	<u>100.0%</u>	

#### 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 the 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.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c)
Balance at 12/31/19	\$ 2,091,704	\$ 2,114,476	\$( 22,772)
Changes for the year:			
Service cost	249,939	-	249,939
Interest	145,638	-	145,638
Changes of benefit terms	-	-	-
Difference between expected and actual experience	( 31,738)	-	( 31,738)
Changes of assumptions	-	-	-
Contributions - employer	-	151,054	( 151,054)
Contributions - employee	-	100,320	( 100,320)
Net investment income	-	160,726	( 160,726)
Benefit payments, including refunds of employee contributions	( 118,145)	( 118,145)	-
Administrative expense	-	( 1,039)	1,039
Other changes	-	( 40)	40
Net changes	<u>245,694</u>	<u>292,876</u>	<u>( 47,182)</u>
Balance at 12/31/20	<u>\$ 2,337,398</u>	<u>\$ 2,407,352</u>	<u>\$( 69,954)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	\$ 330,918	\$( 69,954)	\$( 384,159)

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.tmr.com](http://www.tmr.com).

Pension expense and deferred outflows and inflows of resources related to pensions

For the year ended September 30, 2021, the City recognized pension expense in the governmental activities and business-type activities of \$101,252 and \$23,186, respectively.

At September 30, 2021, the City reported deferred outflows and 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	\$ 11,559	\$ 39,391
Changes in actuarial assumptions	7,420	-
Difference between projected and actual investment earnings	-	60,938
Contributions subsequent to the measurement date	<u>124,747</u>	<u>-</u>
Total	<u>\$ 143,726</u>	<u>\$ 100,329</u>

\$124,747 was reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2022	\$( 25,137)
2023	( 6,244)
2024	( 43,748)
2025	<u>( 6,221)</u>
Total	<u>\$( 81,350)</u>

**F. Interfund transfers**

The composition of interfund transfers as of September 30, 2021 is as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Nonmajor governmental	Nonmajor governmental	\$ 118,276
Nonmajor governmental	Debt service	50,000
Water and sewer	Nonmajor governmental	229,705
Total		<u>\$ 397,981</u>

Transfers were primarily used to:

- Move funds to the Street Improvements fund for upcoming streets projects.
- Subsidize debt service payments.

**G. Commitments and contingencies**

Litigation

The City is often a defendant in lawsuits. Although the outcome of the lawsuits is not presently determinable, it is the opinion of the City’s management that the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

Federal and state grants

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City’s compliance with applicable grant requirements will be established at a future date. The amounts which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates the amounts, if any, will be immaterial.

Raw water

The City has entered into a contract with the City of Midlothian, Texas whereby Midlothian agrees to sell raw water to the City. The contract requires the City to purchase a minimum amount of water on an annualized basis whether or not the City actually takes and utilizes said water amount. The contract is for a period of thirty-five years commencing January 4, 2005 and ending January 1, 2040. Actual payments for the year ended September 30, 2021 were \$679,338.

Wastewater treatment

On December 1, 2009, the City entered into a contract with the Trinity River Authority – Mountain Creek Regional Wastewater System ("System") to obtain wastewater treatment services in effect for the entire useful life of the System. The City is obligated to pay minimum fees of the System's annual operation and maintenance costs equivalent to 61.32 million gallons of flow. Actual payments for the year ended September 30, 2021 were \$894,332. Complete separate financial statements for TRA may be obtained at Trinity River Authority of Texas, P.O. Box 60, Arlington, Texas 76004.

Bluestem Hills PID

On January 14, 2019, the City created Bluestem Hills Public Improvement District No. 1 (the "District") to fund certain public improvements within the District. A development agreement with Bluestem Ellis Partners, LLC (the "Developer") was executed on April 26, 2019. The City shall reimburse the Developer for budgeted public improvement construction costs in an amount not to exceed \$1,700,000 from special assessments levied and collected within the District. As of September 30, 2021, no reimbursements were due to the Developer.

### Patriot Estates PID

On November 9, 2020, the City created Patriot Estates Public Improvement District (the "District") to fund certain public improvements within the District. A development agreement with LGI Homes-Texas, LLC (the "Developer") was executed on November 9, 2020. The City shall reimburse the Developer for budgeted public improvement construction costs in an amount not to exceed \$6,977,464 from special assessments levied and collected within the District. As of September 30, 2021, no reimbursements were due to the Developer.

### Brahman Ranch PID

On January 15, 2021, the City created Brahman Ranch Public Improvement District (the "District") to fund certain public improvements within the District. A development agreement with Bluestem Ellis Partners, LLC (the "Developer") was executed on April 26, 2019. The City shall reimburse the Developer for budgeted public improvement construction costs in an amount not to exceed \$1.7 million, from special assessments levied and collected within the District. As of September 30, 2021, no reimbursements were due to the Developer.

## **H. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

## **I. Subsequent Event**

On November 8, 2021, the City issued \$6,977,000 in Special Assessment Revenue Bonds, Series 2021 for (i) paying a portion of the actual costs of the Public Improvements, (ii) paying a portion of the interest on the Bonds during and after the period of acquisition and construction of the Public Improvements, (iii) funding a reserve fund for payment of principal and interest on the Bonds, (iv) paying a portion of the costs incidental to the organization of the Patriot Estates Public Improvement District and (v) paying the costs of issuance of the Bonds. The net proceeds of \$7,037,768 (representing the par amount of \$6,977,000 plus a reoffering premium of \$60,768 less payment of an underwriter's fee of \$209,310) were invested by the City to fund future bond projects and any additional issuance costs. After this bond issuance, the City had no remaining general obligation bonds authorized by voters of the City.

## **J. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) issued the following statements which become effective for fiscal years 2022 and 2024.

Statement No. 87, *Leases* – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the City in fiscal year 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement will become effective for the City in fiscal year 2024.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF VENUS, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes and assessments	\$ 1,608,718	\$ 1,608,718	\$ 1,632,653	\$ 23,935
Sales taxes	516,843	516,843	748,827	231,984
Franchise taxes	117,420	117,420	131,650	14,230
Licenses and permits	623,300	623,300	581,224	( 42,076)
Fines and forfeitures	50,750	50,750	68,274	17,524
Charges for service	38,700	38,700	330,960	292,260
Intergovernmental	133,595	133,595	134,077	482
Contributions and donations	13,544	13,544	23,921	10,377
Investment earnings	15,000	15,000	12,592	( 2,408)
Miscellaneous	600	600	4,279	3,679
Total revenues	<u>3,118,470</u>	<u>3,118,470</u>	<u>3,668,457</u>	<u>549,987</u>
<b>EXPENDITURES</b>				
Current:				
General government	752,283	752,283	617,543	134,740
Public safety:				
Fire	37,986	37,986	24,635	13,351
Police	1,435,857	1,435,857	1,322,377	113,480
Municipal court	105,920	105,920	100,705	5,215
Public works	309,973	309,973	331,713	( 21,740)
Economic development	373,000	373,000	542,672	( 169,672)
Capital outlay	231,000	231,000	311,880	( 80,880)
Debt service:				
Principal	103,451	103,451	237,382	( 133,931)
Interest and fiscal charges	-	-	14,054	( 14,054)
Total expenditures	<u>3,349,470</u>	<u>3,349,470</u>	<u>3,502,961</u>	<u>( 153,491)</u>
Excess (deficiency) of revenues over expenditures	( 231,000)	( 231,000)	165,496	396,496
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	-	-	239,783	239,783
Sale of capital assets	10,000	10,000	-	( 10,000)
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>239,783</u>	<u>229,783</u>
Net change in fund balances	( 221,000)	( 221,000)	405,279	626,279
<b>FUND BALANCE - BEGINNING</b>	<u>1,954,070</u>	<u>1,954,070</u>	<u>1,954,070</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,733,070</u>	<u>\$ 1,733,070</u>	<u>\$ 2,359,349</u>	<u>\$ 626,279</u>

**CITY OF VENUS, TEXAS**

NOTES TO BUDGETARY INFORMATION

SEPTEMBER 30, 2021

**Budgets and Budgetary Accounting**

An annual budget for the general fund is adopted on the modified accrual basis. Appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

**Excess Expenditures over Budgeted Appropriations**

Expenditures exceeded budgeted appropriations in the following fund and functions. The City will cover these overages with the remaining excess fund balance.

General Fund	
Public Works	\$ 21,740
Economic Development	169,672
Capital Outlay	80,880
Debt Service	
Principal	133,931
Interest	14,054

**CITY OF VENUS, TEXAS**

REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

<b>Measurement date December 31,</b>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>
<b>Total pension liability</b>			
Service Cost	\$ 88,650	\$ 122,666	\$ 147,811
Interest	80,660	91,101	88,713
Changes of benefit terms	-	-	6,433
Differences between expected and actual experience	57,782	( 132,315)	( 14,918)
Assumption changes	-	12,187	-
Benefit payments, including refunds of employee contributions	<u>( 60,851)</u>	<u>( 129,047)</u>	<u>( 70,599)</u>
Net change in total pension liability	166,241	( 35,408)	157,440
Total pension liability - beginning	<u>1,138,393</u>	<u>1,304,634</u>	<u>1,269,226</u>
Total pension liability - ending (a)	<u>\$ 1,304,634</u>	<u>\$ 1,269,226</u>	<u>\$ 1,426,666</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 61,240	\$ 83,505	\$ 96,357
Contributions - member	46,611	51,820	61,043
Net investment income	62,682	1,777	81,713
Benefit payments	( 60,851)	( 129,047)	( 70,599)
Administrative expense	( 654)	( 1,083)	( 925)
Other	<u>( 54)</u>	<u>( 53)</u>	<u>( 50)</u>
Net change in plan fiduciary net position	108,974	6,919	167,539
Plan fiduciary net position - beginning	<u>1,095,574</u>	<u>1,204,548</u>	<u>1,211,467</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,204,548</u>	<u>\$ 1,211,467</u>	<u>\$ 1,379,006</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 100,086</u>	<u>\$ 57,759</u>	<u>\$ 47,660</u>
<b>Plan fiduciary net position as a percentage of the total pension liability (asset)</b>	92.33%	95.45%	96.66%
<b>Covered payroll</b>	\$ 665,869	\$ 740,288	\$ 872,040
<b>Net pension liability (asset) as a percentage of covered payroll</b>	15.03%	7.80%	5.47%

\* GASB Statement 68 requires this schedule to report 10 years of data. Data prior to 2014 is not available.

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 161,586	\$ 194,975	\$ 223,903	\$ 249,939
99,640	113,540	130,503	145,638
-	-	-	-
( 10,387)	30,003	( 25,397)	( 31,738)
-	-	12,664	-
( 62,615)	( 60,599)	( 142,778)	( 118,145)
188,224	277,919	198,895	245,694
<u>1,426,666</u>	<u>1,614,890</u>	<u>1,892,809</u>	<u>2,091,704</u>
<u>\$ 1,614,890</u>	<u>\$ 1,892,809</u>	<u>\$ 2,091,704</u>	<u>\$ 2,337,398</u>
\$ 98,912	\$ 121,386	\$ 137,647	\$ 151,054
64,194	78,438	91,504	100,320
190,996	( 50,015)	272,037	160,726
( 62,615)	( 60,599)	( 142,778)	( 118,145)
( 990)	( 966)	( 1,535)	( 1,039)
( 50)	( 50)	( 46)	( 40)
290,447	88,194	356,829	292,876
<u>1,379,006</u>	<u>1,669,453</u>	<u>1,757,647</u>	<u>2,114,476</u>
<u>\$ 1,669,453</u>	<u>\$ 1,757,647</u>	<u>\$ 2,114,476</u>	<u>\$ 2,407,352</u>
<u>\$( 54,563)</u>	<u>\$ 135,162</u>	<u>\$( 22,772)</u>	<u>\$( 69,954)</u>
103.38%	92.86%	101.09%	102.99%
\$ 917,058	\$ 1,120,544	\$ 1,297,991	\$ 1,433,138
-5.95%	12.06%	-1.75%	-4.88%

**CITY OF VENUS, TEXAS**

REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

<b>Fiscal year ending September 30,</b>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>
Actuarially determined contribution	\$ 61,240	\$ 90,452	\$ 91,937
Contributions in relation to the actuarially determined contributions	<u>61,240</u>	<u>90,452</u>	<u>91,937</u>
Contribution excess (deficiency)	-	-	-
Covered payroll	665,869	815,090	850,004
Contributions as a percentage of covered payroll	9.20%	11.10%	10.82%

\* GASB Statement 68 requires this schedule to report 10 years of data. Data prior to 2015 is not available.

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

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

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	10 year smoothed fair value; 12% soft corridor
Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generated basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other information	There were no benefit changes during the year.

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 118,665	\$ 132,270	\$ 146,811	\$ 168,818
<u>118,665</u>	<u>132,270</u>	<u>146,811</u>	<u>168,818</u>
-	-	-	-
1,093,819	1,247,062	1,376,629	1,592,770
10.85%	10.61%	10.66%	10.60%

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**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

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## NONMAJOR GOVERNMENTAL FUNDS

**Special Revenue Funds** are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Brahman Ranch PID Fund** - This fund is used to account for the operating costs of the Brahman Ranch Public Improvement District.

**Venus Community Services Development Corporation** – This fund is used to account for a half cent sales tax collection restricted for economic development.

**Court Technology Fund** – The state legislature has allowed for the creation of a Municipal Court Technology Fund to defray the costs related to technology in the court system. This fund accounts for the collection of technology fees charged to defendants for misdemeanor offences as a cost of court. These funds will be used to purchase software, computers and any other technology items needed for the court.

**Court Security Fund** – The security building fund provides for the collection of court fees with each fine that is to be utilized for the security of the court. Expenditures are restricted to security systems, bailiffs, metal detectors, locks, electronic identification systems, etc.

**Truancy Prevention Fund** – This fund is used to account for necessary costs relating to the position of a juvenile case manager in accordance with Article 45.056, Code of Criminal Procedure.

**Street Tax Fund** – This fund is used to account for a quarter cent sales tax collection restricted for street improvement projects in the City.

**Blue Stem PID Fund** – This fund is used to account for the operating costs of the Blue Stem Public Improvement District.

**PID Funds** – This fund is used to account for the operating costs of the multiple smaller Public Improvement Districts.

**Capital Projects Funds** account for the cost of planned current and future major projects for the acquisition and construction of buildings, infrastructure, and related improvements, and traffic and environmental projects.

**Street Improvements Fund** – This fund is used to account for street improvement projects in the City.

**2018 CO Bonds Fund** – This fund is used to account for improvements made to existing street and utility infrastructure and facilities.

**CITY OF VENUS, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2021**

	Special Revenue				
	Brahman Ranch PID	Venus Community Services Development Corporation	Court Technology	Court Security	Truancy Prevention
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	26,676	382,888	-	3,182	2,599
Receivables (net of allowance)	-	54,640	-	-	-
Total assets	<u>26,676</u>	<u>437,528</u>	<u>-</u>	<u>3,182</u>	<u>2,599</u>
<b>LIABILITIES</b>					
Accounts payable	5,204	38,601	-	-	-
Accrued liabilities	-	411	-	-	-
Unearned revenue	21,472	-	-	-	-
Total liabilities	<u>26,676</u>	<u>39,012</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted for:					
Public safety	-	-	-	3,182	2,599
Streets	-	-	-	-	-
Economic development	-	398,516	-	-	-
Committed for:					
Capital projects	-	-	-	-	-
Total fund balances	<u>-</u>	<u>398,516</u>	<u>-</u>	<u>3,182</u>	<u>2,599</u>
Total liabilities and fund balances	<u>\$ 26,676</u>	<u>\$ 437,528</u>	<u>\$ -</u>	<u>\$ 3,182</u>	<u>\$ 2,599</u>

Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
Street Tax	Blue Stem PID	PID Funds	Street Improvements	2018 CO Bonds	
\$ -	\$ -	\$ 71,646	\$ 260,000	\$ -	\$ 331,646
35,834	70,752	-	-	-	521,931
27,320	-	-	-	-	81,960
<u>63,154</u>	<u>70,752</u>	<u>71,646</u>	<u>260,000</u>	<u>-</u>	<u>935,537</u>
-	49,667	3,555	-	-	97,027
-	-	-	-	-	411
-	11,954	68,091	-	-	101,517
<u>-</u>	<u>61,621</u>	<u>71,646</u>	<u>-</u>	<u>-</u>	<u>198,955</u>
-	-	-	-	-	5,781
63,154	-	-	-	-	63,154
-	9,131	-	-	-	407,647
<u>-</u>	<u>-</u>	<u>-</u>	<u>260,000</u>	<u>-</u>	<u>260,000</u>
<u>63,154</u>	<u>9,131</u>	<u>-</u>	<u>260,000</u>	<u>-</u>	<u>736,582</u>
\$ <u>63,154</u>	\$ <u>70,752</u>	\$ <u>71,646</u>	\$ <u>260,000</u>	\$ <u>-</u>	\$ <u>935,537</u>

**CITY OF VENUS, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Special Revenue				
	Brahman Ranch PID	Venus Community Services Development Corporation	Court Technology	Court Security	Truancy Prevention
<b>REVENUES</b>					
Property taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	299,531	-	-	-
Fines and forfeitures	-	-	1,921	2,182	1,950
Contributions and donations	31,001	1,325	-	-	-
Investment earnings	-	388	-	-	-
Total revenues	<u>31,001</u>	<u>301,244</u>	<u>1,921</u>	<u>2,182</u>	<u>1,950</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	-	-	1,921	-	-
Public works	31,001	-	-	-	-
Economic development	-	86,237	-	-	-
Capital outlay	-	77,463	-	-	-
Total expenditures	<u>31,001</u>	<u>163,700</u>	<u>1,921</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>137,544</u>	<u>-</u>	<u>2,182</u>	<u>1,950</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	( 50,000)	-	( 19,423)	-
Total other financing sources (uses)	<u>-</u>	<u>( 50,000)</u>	<u>-</u>	<u>( 19,423)</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>87,544</u>	<u>-</u>	<u>( 17,241)</u>	<u>1,950</u>
<b>FUND BALANCE - BEGINNING</b>	<u>-</u>	<u>310,972</u>	<u>-</u>	<u>20,423</u>	<u>649</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ 398,516</u>	<u>\$ -</u>	<u>\$ 3,182</u>	<u>\$ 2,599</u>

Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
Street Tax	Blue Stem PID	PID Funds	Street Improvements	2018 CO Bonds	
\$ -	\$ 59,925	\$ -	\$ -	\$ -	\$ 59,925
149,765	-	-	-	-	449,296
-	-	-	-	-	6,053
-	-	26,910	-	-	59,236
-	68	-	-	-	456
<u>149,765</u>	<u>59,993</u>	<u>26,910</u>	<u>-</u>	<u>-</u>	<u>574,966</u>
-	-	-	-	-	1,921
12,665	58,582	26,910	-	-	129,158
-	-	-	-	-	86,237
-	-	-	364,152	249,128	690,743
<u>12,665</u>	<u>58,582</u>	<u>26,910</u>	<u>364,152</u>	<u>249,128</u>	<u>908,059</u>
<u>137,100</u>	<u>1,411</u>	<u>-</u>	<u>( 364,152)</u>	<u>( 249,128)</u>	<u>( 333,093)</u>
-	-	-	98,853	249,128	347,981
( 98,853)	-	-	-	-	( 168,276)
<u>( 98,853)</u>	<u>-</u>	<u>-</u>	<u>98,853</u>	<u>249,128</u>	<u>179,705</u>
<u>38,247</u>	<u>1,411</u>	<u>-</u>	<u>( 265,299)</u>	<u>-</u>	<u>( 153,388)</u>
<u>24,907</u>	<u>7,720</u>	<u>-</u>	<u>525,299</u>	<u>-</u>	<u>889,970</u>
<u>\$ 63,154</u>	<u>\$ 9,131</u>	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ 736,582</u>

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## **COMPLIANCE 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**

Honorable Mayor and Members  
of City Council  
City of Venus, 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 Venus, Texas (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 14, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of Venus, Texas' internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Venus, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Venus, Texas' 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 City of Venus, Texas' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Venus, Texas' 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*.

**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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas  
August 14, 2023

**CITY OF VENUS, TEXAS**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

**Item 2020-001:**

Material Weakness – Financial Statements

Current Status:

Corrected. The City implemented stronger internal controls over account setup, meter reading, and billing processes. Billing errors resulting from manual calculations between October 2017 and December 2020 were corrected in the billing software, and significant refunds were issued to affected customers. Staff within the Finance Department took over responsibility of monthly bill calculations, and proper internal controls were implemented as part of the monthly review and approval process.

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