

**CITY OF VENUS, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED**

**SEPTEMBER 30, 2020**



**CITY OF VENUS, TEXAS**

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

**Page  
Number**

**FINANCIAL SECTION**

Independent Auditor’s Report.....	1 – 2
Management’s Discussion and Analysis.....	3 – 8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	9
Statement of Activities .....	10 – 11
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet .....	12
Reconciliation of the Balance Sheet of Governmental Funds to the Government-wide Statement of Net Position.....	13
Statement of Revenues, Expenditures and Changes in Fund Balance .....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities.....	15
Proprietary Fund Financial Statements:	
Statement of Net Position .....	16
Statement of Revenues, Expenses and Changes in Net Position .....	17
Statement of Cash Flows.....	18 – 19
Notes to Financial Statements.....	20 – 36
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances of General Fund – Budget and Actual .....	37
Notes to Budgetary Information .....	38
Schedule of Changes in Net Pension Liability and Related Ratios .....	39 – 40
Schedule of Pension Contributions.....	41 – 42

Combining and Individual Fund Financial Statements and Schedules:

Combining Balance Sheet – Non-major Governmental Funds .....	43 – 44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds .....	45 – 46
Schedule of Revenues, Expenditures and Changes in Fund Balance – Water and Sewer Fund – Budget and Actual.....	47

**COMPLIANCE SECTION**

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 <i>Government Auditing Standards</i> .....	48 – 49
Schedule of Findings and Responses.....	50

## **FINANCIAL SECTION**

**THIS PAGE LEFT BLANK INTENTIONALLY**



---

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the City Council and Citizens  
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, 2020, which collectively comprise the City's basis financial statements as listed in the table of contents.

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

The City's 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, 2020, 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 30, 2021 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 30, 2021



## 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, 2020.

### 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 \$10,630,574 (net position). Of this amount, \$3,690,492 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 decreased by \$878,369.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$6,997,901, a decrease of \$4,580,521 in comparison with prior year. Approximately 23.5% of this amount, \$1,647,002, 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 \$1,647,002, or approximately 56.1% 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.

The government-wide financial statements can be found on pages 9-11 of this report.

## **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 on pages 12-15 of this report.

*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.

The basic proprietary fund financial statements can be found on pages 16-19 of this report.

## **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 on pages 20-38 of this report.

## **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. Required supplementary information can be found on pages 39-42 of this report.

This report also presents combining statements and an individual fund schedule referred to earlier in connection with nonmajor governmental funds and the water and sewer fund. Combining and individual fund statements and schedules can be found on pages 43-47 of this report.

## 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 \$10,630,574, at the close of the most recent fiscal year.

### CITY OF VENUS' NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 7,411,104	\$ 2,723,272	\$ 4,575,304	\$ 3,446,625	\$ 11,986,408	\$ 6,169,897
Capital assets	<u>5,333,836</u>	<u>6,852,137</u>	<u>5,255,680</u>	<u>5,354,066</u>	<u>10,589,516</u>	<u>12,206,203</u>
Total assets	<u>12,744,940</u>	<u>9,575,409</u>	<u>9,830,984</u>	<u>8,800,691</u>	<u>22,575,924</u>	<u>18,376,100</u>
Total deferred outflows of resources	<u>109,941</u>	<u>178,858</u>	<u>24,791</u>	<u>31,907</u>	<u>134,732</u>	<u>210,765</u>
Current liabilities	310,094	418,042	1,424,652	237,750	1,734,746	655,792
Long-term liabilities	<u>6,952,198</u>	<u>2,896,228</u>	<u>3,304,608</u>	<u>3,641,571</u>	<u>10,256,806</u>	<u>6,537,799</u>
Total liabilities	<u>7,262,292</u>	<u>3,314,270</u>	<u>4,729,260</u>	<u>3,879,321</u>	<u>11,991,552</u>	<u>7,193,591</u>
Total deferred inflows of resources	<u>76,922</u>	<u>11,030</u>	<u>11,608</u>	<u>193</u>	<u>88,530</u>	<u>11,223</u>
Net investment in capital assets	2,594,837	4,126,685	3,965,105	3,276,044	6,559,942	7,402,729
Restricted	380,140	94,565	-	-	380,140	94,565
Unrestricted	<u>2,540,690</u>	<u>2,207,717</u>	<u>1,149,802</u>	<u>1,677,040</u>	<u>3,690,492</u>	<u>3,884,757</u>
Total net position	<u>\$ 5,515,667</u>	<u>\$ 6,428,967</u>	<u>\$ 5,114,907</u>	<u>\$ 4,953,084</u>	<u>\$ 10,630,574</u>	<u>\$ 11,382,051</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 (61.7%) 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 (3.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,690,492 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 decreased \$878,369 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	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 908,602	\$ 477,689	\$ 3,049,697	\$ 2,680,549	\$ 3,958,299	\$ 3,158,238
Operating grants and contributions	165,004	269,335	-	-	165,004	269,335
Capital grants and contributions	32,970	1,446,656	49,200	291,835	82,170	1,738,491
General revenues:						
Property taxes	1,846,427	1,394,948	-	-	1,846,427	1,394,948
Sales taxes	942,411	513,822	-	-	942,411	513,822
Franchise taxes	127,867	110,586	-	-	127,867	110,586
Investment earnings	30,105	10,278	19,478	3,916	49,583	14,194
Gain on sale of assets	39,498	167,477	18,101	-	57,599	167,477
Miscellaneous	10,221	26,201	-	-	10,221	26,201
Total revenues	<u>4,103,105</u>	<u>4,416,992</u>	<u>3,136,476</u>	<u>2,976,300</u>	<u>7,239,581</u>	<u>7,393,292</u>
<b>Expenses:</b>						
General government	785,642	942,726	-	-	785,642	942,726
Public safety	1,400,448	1,323,433	-	-	1,400,448	1,323,433
Public works	621,233	549,437	-	-	621,233	549,437
Culture and recreation	94	-	-	-	94	-
Economic development	524,986	-	-	-	524,986	-
Interest and other	260,044	107,679	-	-	260,044	107,679
Water and sewer	-	-	2,701,245	2,494,358	2,701,245	2,494,358
Total expenses	<u>3,592,447</u>	<u>2,923,275</u>	<u>2,701,245</u>	<u>2,494,358</u>	<u>6,293,692</u>	<u>5,417,633</u>
Increase (decrease) in net position before transfers	510,658	1,493,717	435,231	481,942	945,889	1,975,659
Transfers	(172,250)	437,339	172,250	(437,339)	-	-
Increase (decrease) in net position	338,408	1,931,056	607,481	44,603	945,889	1,975,659
Net position, beginning	6,555,859	4,497,911	4,953,084	4,908,481	11,508,943	9,406,392
Prior period adjustment	(1,378,600)	-	(445,658)	-	(1,824,258)	-
Net position, ending	<u>\$ 5,515,667</u>	<u>\$ 6,428,967</u>	<u>\$ 5,114,907</u>	<u>\$ 4,953,084</u>	<u>\$ 10,630,574</u>	<u>\$ 11,382,051</u>

**Governmental Activities.** During the current fiscal year, net position for governmental activities decreased \$1,040,192 from the prior fiscal year for an ending balance of \$5,515,667. Revenues decreased \$313,887 due to a decrease in capital grants and contributions, offset by increases in charges for services and property taxes. Expenses increased \$669,172 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 \$5,114,907. The total increase in net position for business-type activities (water and sewer operations and sanitation service) was \$161,823 from the prior fiscal year. Revenues from charges for services increased 13.8%. Revenues from capital grants and contributions decreased. Total expenses increased 8.3% (\$206,887) 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, 2020, the City's governmental funds reported combined fund balances of \$6,997,901, a decrease of \$4,580,521 in comparison with the prior year. Approximately 23.5% of this amount (\$1,647,002) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is restricted, committed, or assigned for particular purposes (\$5,348,773).

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 \$1,647,002 and \$1,954,070, 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 56.1% and 66.5% of total general fund expenditures, respectively. The fund balance of the City's general fund decreased by \$256,853 during the current fiscal year due to a transfer out to the Street Improvement fund for upcoming streets projects.

The fund balance of the Debt Service fund decreased to \$3,984 the end of the fiscal year. An excess of property tax revenues over debt service expenditures was offset by transfers out to other funds.

The fund balance of the City's 2020 CO Bonds fund increased by \$4,149,877 during the current fiscal year due to the issuance of bonds.

**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 \$1,149,802. The total growth in net position was \$161,823. 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 \$3,224,470 exceeded budgeted revenues of \$3,001,928 by \$222,542. Following are the main components that experienced a variance of actual revenue compared to budgeted revenue:

- The \$4,626 increase in property tax resulted from an increase in assessed property values.
- The \$96,775 increase in sales tax resulted from growth in retail activity.
- Budgeted general fund expenditures of \$3,034,475 exceeded actual expenditures of \$2,937,469 by \$97,006.

**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, 2020, 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 decrease in capital assets for the current fiscal year was approximately 13.2%.

**CITY OF VENUS' CAPITAL ASSETS**

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 445,032	\$ 445,032	\$ 25,270	\$ 25,270	\$ 470,302	\$ 470,302
Construction in progress	42,293	-	69,063	56,005	111,356	56,005
Buildings	1,877,854	1,882,048	56,880	58,657	1,934,734	1,940,705
Improvements & infrastruc	2,680,450	4,196,561	3,966,172	3,921,258	6,646,622	8,117,819
Machinery and equipment	288,207	328,496	177,047	241,424	465,254	569,920
Water rights	-	-	961,248	1,051,308	961,248	1,051,308
Totals	\$ 5,333,836	\$ 6,852,137	\$ 5,255,680	\$ 5,353,922	\$ 10,589,516	\$ 12,206,059

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

- Building improvements of approximately \$42,293.
- Infrastructure improvements of approximately \$241,524.
- Machinery and equipment additions of approximately \$59,456.

Additional information on the City's capital assets can be found in Note II C on pages 27-28 of this report.

**Long-term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$8,850,000, 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	
	2020	2019	2020	2019	2020	2019
Certificates of obligation	\$ 6,390,000	\$ 2,275,000	\$ 1,895,000	\$ 1,930,000	\$ 8,285,000	\$ 4,205,000
General obligation bonds	-	-	565,000	747,000	565,000	747,000
Premiums on debt	261,025	127,875	97,538	101,779	358,563	229,654
Contract payable	-	-	697,500	775,000	697,500	775,000
Note payable	191,418	232,200	-	-	191,418	232,200
Capital leases payable	45,964	90,377	42,339	62,501	88,303	152,878
Compensated absences	63,791	56,186	7,231	4,719	71,022	60,905
Totals	<u>\$ 6,952,198</u>	<u>\$ 2,781,638</u>	<u>\$ 3,304,608</u>	<u>\$ 3,620,999</u>	<u>\$ 10,256,806</u>	<u>\$ 6,402,637</u>

Additional information on the City's long term-debt can be found in Note 11 D on pages 28-31 of this report.

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

In the FY 2020-2021 original budget, General Fund revenues increased \$68,943, or 2.25%, when compared to FY 2019-2020 with property tax revenue increasing by \$143,043, or 9.75%, and sales tax revenue increasing by \$24,611, or 5%. M&O property tax revenue represents \$1,608,718, or 51%, of total budgeted revenue while the M&O tax rate decreased \$0.026307/\$100 assessed value. Sales tax revenue represents \$516,843, or 17%, of total budgeted revenue for the City's General Fund. Total revenues for all governmental activities increased by \$119,034, or 3.23%. FY 2020-2021 total property tax rate decreased by \$0.030927 when compared to the previous year's tax rate.

General Fund budgeted expenditures increased by \$93,995, or 3.10% when compared to previous year expenditures. Total expenditures for all governmental activities decreased by \$207,275, or -5.15% when compared to FY 2019-2020 governmental activities.

**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**

**THIS PAGE LEFT BLANK INTENTIONALLY**



**CITY OF VENUS, TEXAS**

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,949,064	\$ 1,760,093	\$ 3,709,157
Restricted assets	4,525,614	2,399,370	6,924,984
Investments	525,180	79,997	605,177
Receivables (net of allowance)	390,595	330,807	721,402
Prepaid items	2,126	790	2,916
Net pension asset	18,525	4,247	22,772
Capital assets:			
Non-depreciable	487,325	94,333	581,658
Depreciable, net	<u>4,846,511</u>	<u>5,161,347</u>	<u>10,007,858</u>
Total assets	<u>12,744,940</u>	<u>9,830,984</u>	<u>22,575,924</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related	<u>109,941</u>	<u>24,791</u>	<u>134,732</u>
Total deferred outflows	<u>109,941</u>	<u>24,791</u>	<u>134,732</u>
<b>LIABILITIES</b>			
Accounts payable	174,258	145,361	319,619
Accrued liabilities	73,155	705,502	778,657
Customer deposits	-	88,782	88,782
Unearned revenue	22,473	446,639	469,112
Accrued interest payable	40,208	38,368	78,576
Noncurrent liabilities:			
Due within one year			
Long-term debt	350,345	320,133	670,478
Due in more than one year			
Long-term debt	<u>6,601,853</u>	<u>2,984,475</u>	<u>9,586,328</u>
Total liabilities	<u>7,262,292</u>	<u>4,729,260</u>	<u>11,991,552</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related	<u>76,922</u>	<u>11,608</u>	<u>88,530</u>
Total deferred inflows	<u>76,922</u>	<u>11,608</u>	<u>88,530</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,594,837	3,965,105	6,559,942
Restricted for:			
Economic development	318,692	-	318,692
Public safety	36,072	-	36,072
Public works	25,376	-	25,376
Unrestricted	<u>2,540,690</u>	<u>1,149,802</u>	<u>3,690,492</u>
Total net position	<u>\$ 5,515,667</u>	<u>\$ 5,114,907</u>	<u>\$ 10,630,574</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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 785,642	\$ 813,562	\$ 148,787	\$ -
Public safety	1,400,448	41,651	16,217	-
Culture and recreation	94	53,389	-	-
Public works	621,233	-	-	32,970
Economic development	524,986	-	-	-
Interest and other	260,044	-	-	-
Total governmental activities	<u>3,592,447</u>	<u>908,602</u>	<u>165,004</u>	<u>32,970</u>
Business-type activities:				
Water and sewer	2,339,248	2,684,340	-	49,200
Sanitation service	361,997	365,357	-	-
Total business-type activities	<u>2,701,245</u>	<u>3,049,697</u>	<u>-</u>	<u>49,200</u>
Total primary government	<u>\$ 6,293,692</u>	<u>\$ 3,958,299</u>	<u>\$ 165,004</u>	<u>\$ 82,170</u>
General revenues:				
Taxes:				
Property				
Sales				
Franchise				
Investment earnings				
Gain on sale of assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning of year				
Prior period adjustment				
Net position - beginning, as restated				
Net position - end of year				

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

Net (Expense) Revenues and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ 176,707	\$ -	\$ 176,707
( 1,342,580)	-	( 1,342,580)
53,295	-	53,295
( 588,263)	-	( 588,263)
( 524,986)	-	( 524,986)
( 260,044)	-	( 260,044)
<u>( 2,485,871)</u>	<u>-</u>	<u>( 2,485,871)</u>
-	394,292	394,292
-	<u>3,360</u>	<u>3,360</u>
-	<u>397,652</u>	<u>397,652</u>
<u>( 2,485,871)</u>	<u>397,652</u>	<u>( 2,088,219)</u>
1,846,427	-	1,846,427
942,411	-	942,411
127,867	-	127,867
30,105	19,478	49,583
39,498	18,101	57,599
10,221	-	10,221
<u>( 172,250)</u>	<u>172,250</u>	<u>-</u>
2,824,279	209,829	3,034,108
<u>338,408</u>	<u>607,481</u>	<u>945,889</u>
6,555,859	4,953,084	11,508,943
<u>( 1,378,600)</u>	<u>( 445,658)</u>	<u>( 1,824,258)</u>
<u>5,177,259</u>	<u>4,507,426</u>	<u>9,684,685</u>
<u>\$ 5,515,667</u>	<u>\$ 5,114,907</u>	<u>\$ 10,630,574</u>

**CITY OF VENUS, TEXAS**

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

	General	Debt Service	2020 CO Bonds	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash & cash equivalents	\$ 1,407,939	\$ -	\$ -	\$ 541,125	\$ 1,949,064
Restricted cash & cash equivalents	15,000	3,107	4,152,394	355,113	4,525,614
Investments	525,180	-	-	-	525,180
Receivables (net of allowance)	312,883	2,991	-	74,721	390,595
Prepaid items	<u>2,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,126</u>
Total assets	<u>2,263,128</u>	<u>6,098</u>	<u>4,152,394</u>	<u>970,959</u>	<u>7,392,579</u>
<b>LIABILITIES</b>					
Accounts payable	128,419	-	2,517	43,322	174,258
Accrued liabilities	57,961	-	-	15,194	73,155
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,473</u>	<u>22,473</u>
Total liabilities	<u>186,380</u>	<u>-</u>	<u>2,517</u>	<u>80,989</u>	<u>269,886</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	20,179	2,114	-	-	22,293
Unavailable revenue - fines & fees	<u>102,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,499</u>
Total deferred inflows of resources	<u>122,678</u>	<u>2,114</u>	<u>-</u>	<u>-</u>	<u>124,792</u>
<b>FUND BALANCES</b>					
Non-spendable for:					
Prepaid items	2,126	-	-	-	2,126
Restricted for:					
Debt service	-	3,984	-	-	3,984
Public safety	15,000	-	-	21,072	36,072
Capital projects	-	-	4,149,877	-	4,149,877
Streets	-	-	-	24,907	24,907
Economic development	-	-	-	318,692	318,692
Committed for:					
Capital projects	-	-	-	525,299	525,299
Assigned for:					
Next year's budget	289,942	-	-	-	289,942
Unassigned	<u>1,647,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,647,002</u>
Total fund balances	<u>1,954,070</u>	<u>3,984</u>	<u>4,149,877</u>	<u>889,970</u>	<u>6,997,901</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,263,128</u>	<u>\$ 6,098</u>	<u>\$ 4,152,394</u>	<u>\$ 970,959</u>	<u>\$ 7,392,579</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, 2020

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

Total fund balance governmental funds	\$ 6,997,901
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	5,333,836
The net pension asset does not represent a current financial resource and therefore is not reported in the funds.	18,525
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	22,293
Court fines	102,499
Long-term liabilities, including bonds payable, notes payable, compensated absences, OPEB liabilities and net pension liability are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	
Bonds payable	( 6,390,000)
Issuance premium	( 261,025)
Capital leases payable	( 45,964)
Notes payable	( 191,418)
Compensated absences	( 63,791)
Deferred inflows of resources - pension related	( 76,922)
Deferred outflows of resources - pension related	109,941
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>5,515,667</u>

**CITY OF VENUS, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General	Debt Service	2020 CO Bonds	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes and assessments	\$ 1,461,049	\$ 321,744	\$ -	\$ 62,893	\$ 1,845,686
Sales taxes	589,007	-	-	353,404	942,411
Franchise taxes	127,867	-	-	-	127,867
Licenses and permits	735,428	-	-	-	735,428
Fines and forfeitures	52,938	-	-	3,230	56,168
Charges for services	29,294	-	-	-	29,294
Intergovernmental	151,440	-	-	-	151,440
Contributions and donations	41,513	-	-	5,021	46,534
Investment earnings	25,713	1,257	469	2,666	30,105
Miscellaneous	<u>10,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,221</u>
Total revenues	<u>3,224,470</u>	<u>323,001</u>	<u>469</u>	<u>427,214</u>	<u>3,975,154</u>
<b>EXPENDITURES</b>					
Current:					
General government	716,821	-	-	-	716,821
Public safety	1,338,446	-	-	3,571	1,342,017
Culture and recreation	-	-	-	94	94
Public works	280,491	-	-	182,586	463,077
Economic development	445,519	-	-	34,096	479,615
Capital outlay	57,562	-	19,592	104,625	181,779
Debt service:					
Principal	85,195	60,000	-	-	145,195
Interest and fiscal charges	13,435	88,848	-	-	102,283
Bond issuance costs	<u>-</u>	<u>-</u>	<u>144,478</u>	<u>-</u>	<u>144,478</u>
Total expenditures	<u>2,937,469</u>	<u>148,848</u>	<u>164,070</u>	<u>324,972</u>	<u>3,575,359</u>
Excess (deficiency) of revenue over expenditures	<u>287,001</u>	<u>174,153</u>	<u>( 163,601)</u>	<u>102,242</u>	<u>399,795</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	-	-	4,175,000	-	4,175,000
Premium on issuance of debt	-	-	138,478	-	138,478
Transfers in	-	-	-	628,165	628,165
Transfers out	( 583,352)	( 172,250)	-	( 44,813)	( 800,415)
Sale of capital assets	<u>39,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,498</u>
Total other financing sources (uses)	<u>( 543,854)</u>	<u>( 172,250)</u>	<u>4,313,478</u>	<u>583,352</u>	<u>4,180,726</u>
Net change in fund balances	<u>( 256,853)</u>	<u>1,903</u>	<u>4,149,877</u>	<u>685,594</u>	<u>4,580,521</u>
<b>FUND BALANCE - BEGINNING</b>	<u>2,210,923</u>	<u>2,081</u>	<u>-</u>	<u>204,376</u>	<u>2,417,380</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,954,070</u>	<u>\$ 3,984</u>	<u>\$ 4,149,877</u>	<u>\$ 889,970</u>	<u>\$ 6,997,901</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, 2020

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

Net change in fund balance - total governmental funds	\$ 4,580,521
---	--------------

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	181,779
Loss on disposal	( 11,158)
Depreciation expense	( 310,322)

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	741
Ambulance fees	( 14,787)
Court fines	102,499

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:

Compensated absences	( 7,605)
Accrued interest	( 18,611)
Net pension liability/asset	( 1,694)

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 bonds	( 4,175,000)
Premium on issuance of bonds	( 138,478)
Payments on bonds	60,000
Payments on capital leases	44,413
Payments on notes payable	40,782
Amortization of premium on bond issuance	<u>5,328</u>

Change in net position of governmental activities	\$ <u>338,408</u>
---	-------------------

**CITY OF VENUS, TEXAS**

STATEMENT OF NET POSITION  
PROPRIETARY FUND

SEPTEMBER 30, 2020

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,760,093
Restricted cash and cash equivalents	2,399,370
Investments	79,997
Receivables (net of allowance)	330,807
Prepaid items	790
Total current assets	<u>4,571,057</u>
Noncurrent assets:	
Net pension asset	4,247
Capital assets:	
Non-depreciable	94,333
Depreciable, net	<u>5,161,347</u>
Total noncurrent assets	<u>5,259,927</u>
Total assets	<u>9,830,984</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>24,791</u>
Total deferred outflows of resources	<u>24,791</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	145,361
Accrued liabilities	705,502
Accrued interest payable (payable from restricted cash)	38,368
Customer deposits	88,782
Unearned revenue	446,639
Compensated absences	1,807
Capital leases payable	20,826
Bonds payable	220,000
Contract payable	77,500
Total current liabilities	<u>1,744,785</u>
Noncurrent liabilities:	
Compensated absences	5,424
Capital leases payable	21,513
Bonds payable	2,337,538
Contract payable	620,000
Total noncurrent liabilities	<u>2,984,475</u>
Total liabilities	<u>4,729,260</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>11,608</u>
Total deferred inflows of resources	<u>11,608</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,965,105
Unrestricted	<u>1,149,802</u>
Total net position	\$ <u>5,114,907</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, 2020

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water and sewer service	\$ 2,675,499
Sanitation service	365,357
Miscellaneous	<u>8,841</u>
Total operating revenues	<u>3,049,697</u>
<b>OPERATING EXPENSES</b>	
Personnel services	352,773
Materials and supplies	105,622
Contractual services	1,818,499
Depreciation	<u>296,170</u>
Total operating expenses	<u>2,573,064</u>
Operating income (loss)	<u>476,633</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	19,478
Gain (loss) on disposal of capital assets	18,101
Interest expense	( 128,181)
Total nonoperating revenues	<u>( 90,602)</u>
Income before transfers and contributions	386,031
Transfers in	172,250
Capital contributions	<u>49,200</u>
Change in net position	<u>607,481</u>
<b>NET POSITION - BEGINNING</b>	4,953,084
<b>PRIOR PERIOD ADJUSTMENT</b>	( 445,658)
<b>NET POSITION - BEGINNING, RESTATED</b>	<u>4,507,426</u>
<b>NET POSITION - ENDING</b>	<u>\$ 5,114,907</u>

**CITY OF VENUS, TEXAS**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND

FOR THE YEAR END SEPTEMBER 30, 2020

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 2,969,552
Payments to suppliers	( 1,840,372)
Payments to employees	( 100,141)
Net cash provided (used) by operating activities	<u>1,029,039</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Payment of advances to other funds	( 204,412)
Repayment of advances from other funds	1,546,296
Transfers from other funds	<u>172,250</u>
Net cash provided (used) by noncapital financing activities	<u>1,514,134</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	( 197,784)
Disposal of capital assets	18,101
Principal paid on bond maturities	( 217,000)
Interest and fiscal charges paid on bonds	( 93,994)
Capital contributions	495,839
Principal paid on contract payable	( 42,625)
Interest paid on contract payable	( 3,083)
Principal paid on capital lease	( 97,662)
Interest paid on capital lease	( 2,578)
Net cash provided (used) by capital and related financing activities	<u>( 140,786)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	19,478
Purchase of investments	( 79,997)
Net cash provided (used) by investing activities	<u>( 60,519)</u>
Net increase (decrease) in cash and cash equivalents	<u>2,341,868</u>
Cash and cash equivalents - beginning	<u>1,817,595</u>
Cash and cash equivalents - ending	\$ <u><u>4,159,463</u></u>

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

**CITY OF VENUS, TEXAS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

FOR THE YEAR END SEPTEMBER 30, 2020

	<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)	\$ 476,633
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	296,170
(Increase) decrease in accounts receivable	( 83,402)
(Increase) decrease in prepaids	38,951
(Increase) decrease in deferred outflows related to pensions	7,116
Increase (decrease) in accounts payable	44,798
Increase (decrease) in accrued liabilities	256,408
Increase (decrease) in compensated absences	2,512
Increase (decrease) in customer deposits	3,257
Increase (decrease) in net pension liability	( 24,819)
Increase (decrease) in deferred inflows related to pensions	<u>11,415</u>
Total adjustments	<u>552,406</u>
Net cash provided (used) by operating activities	\$ <u>1,029,039</u>

# CITY OF VENUS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

### 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 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.

In accordance with state law, TexPool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

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 AAAs 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 position 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 position 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, 2020 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
TexPool	\$ 4,367,807	38
TexasTERM	12,324	57
Certificates of Deposit	<u>1,129,166</u>	59
Total	<u>\$ 5,509,297</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, 2020. At year end, the bank balance of the City's deposits was \$5,708,047. 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, 2020, 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.

As of September 30, 2020, the City has restricted cash and cash equivalents of \$2,399,370 in the Water and Sewer Fund. This amount is made up of unspent bond proceeds, debt service and customer deposits in the amounts of \$2,006,802, \$303,786 and \$88,782, respectively. The City has restricted cash and cash equivalents in governmental activities in the amount of \$4,525,614, made up of amounts restricted for public safety, capital projects, PID projects, economic development, and street projects.

## 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	\$ 1,076,892	\$ -	\$ -	\$ 378,919	\$ 1,459,652
Taxes & assessments	<u>169,804</u>	<u>2,991</u>	<u>75,589</u>	<u>-</u>	<u>248,384</u>
Gross receivables	1,246,696	2,991	75,589	378,919	1,708,036
Less: allowance for uncollectibles	<u>( 933,813)</u>	<u>-</u>	<u>( 877)</u>	<u>( 48,112)</u>	<u>( 982,802)</u>
Total receivables, net	<u>\$ 312,883</u>	<u>\$ 2,991</u>	<u>\$ 74,712</u>	<u>\$ 330,807</u>	<u>\$ 725,234</u>

## C. Capital assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Prior Period Adjustment	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 445,032	\$ -	\$ -	\$ -	\$ 445,032
Construction in progress	<u>-</u>	<u>42,293</u>	<u>-</u>	<u>-</u>	<u>42,293</u>
Total capital assets, not being depreciated	<u>445,032</u>	<u>42,293</u>	<u>-</u>	<u>-</u>	<u>487,325</u>
Capital assets, being depreciated:					
Buildings	2,199,191	23,376	-	28,203	2,250,770
Machinery and equipment	868,071	59,456	( 66,108)	-	861,419
Infrastructure	<u>4,751,786</u>	<u>56,654</u>	<u>-</u>	<u>( 1,442,468)</u>	<u>3,365,972</u>
Total capital assets, being depreciated	<u>7,819,048</u>	<u>139,486</u>	<u>( 66,108)</u>	<u>( 1,414,265)</u>	<u>6,478,161</u>
Less: accumulated depreciation					
Buildings	( 317,143)	( 55,411)	-	( 362)	( 372,916)
Machinery and equipment	( 539,575)	( 88,587)	54,950	-	( 573,212)
Infrastructure	<u>( 555,225)</u>	<u>( 166,324)</u>	<u>-</u>	<u>36,027</u>	<u>( 685,522)</u>
Total accumulated depreciation	<u>( 1,411,943)</u>	<u>( 310,322)</u>	<u>54,950</u>	<u>35,665</u>	<u>( 1,631,650)</u>
Total capital assets being depreciated, net	<u>6,407,105</u>	<u>( 170,836)</u>	<u>( 11,158)</u>	<u>( 1,378,600)</u>	<u>4,846,511</u>
Governmental activities capital assets, net	<u>\$ 6,852,137</u>	<u>\$ ( 128,543)</u>	<u>\$ ( 11,158)</u>	<u>\$ ( 1,378,600)</u>	<u>\$ 5,333,836</u>
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 25,270	\$ -	\$ -	\$ -	\$ 25,270
Construction in Progress	<u>56,005</u>	<u>13,058</u>	<u>-</u>	<u>-</u>	<u>69,063</u>
Total capital assets, not being depreciated	<u>81,275</u>	<u>13,058</u>	<u>-</u>	<u>-</u>	<u>94,333</u>
Capital assets, being depreciated:					
Buildings	71,099	-	-	-	71,099
Improvements & infrastructure	6,671,751	184,870	-	-	6,856,621
Machinery and equipment	421,179	-	( 49,922)	-	371,257
Water rights	<u>2,014,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,014,700</u>
Total capital assets, being depreciated	<u>9,178,729</u>	<u>184,870</u>	<u>( 49,922)</u>	<u>-</u>	<u>9,313,677</u>
Less: accumulated depreciation					
Buildings	( 12,442)	( 1,777)	-	-	( 14,219)
Improvements & infrastructure	( 2,750,493)	( 139,956)	-	-	( 2,890,449)
Machinery and equipment	( 179,755)	( 64,377)	49,922	-	( 194,210)
Water rights	<u>( 963,392)</u>	<u>( 90,060)</u>	<u>-</u>	<u>-</u>	<u>( 1,053,452)</u>
Total accumulated depreciation	<u>( 3,906,082)</u>	<u>( 296,170)</u>	<u>49,922</u>	<u>-</u>	<u>( 4,152,330)</u>
Total capital assets being depreciated, net	<u>5,272,647</u>	<u>( 111,300)</u>	<u>-</u>	<u>-</u>	<u>5,161,347</u>
Business-Type activities capital assets, net	<u>\$ 5,353,922</u>	<u>\$ ( 98,242)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,255,680</u>

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

<u>Government activities:</u>	
General government	\$ 49,610
Public safety	57,362
Public works	157,979
Economic development	<u>45,371</u>
Total	<u>\$ 310,322</u>
 <u>Business-type activities:</u>	
Water and sewer	\$ 296,170
Total	<u>\$ 296,170</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, 2020 are as follows:

	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Certificates of Obligation, Series 2018	\$ 2,450,000	6/13/2018	2.00-4.00%	\$ 2,215,000
Certificates of Obligation, Series 2020	\$ 4,175,000	2/15/2045	2.00-4.00%	<u>4,175,000</u>
Total				<u>\$ 6,390,000</u>
<u>Business-type activities:</u>				
Certificates of Obligation, Series 2018	\$ 1,950,000	6/13/2018	2.00-4.00%	<u>\$ 1,895,000</u>

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ 245,000	\$ 164,041	\$ 409,041
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
2026-2030	1,155,000	603,520	1,758,520
2031-2035	1,300,000	459,823	1,759,823
2036-2040	1,485,000	286,713	1,771,713
2041-2045	<u>1,395,000</u>	<u>75,350</u>	<u>1,470,350</u>
Total	<u>\$ 6,390,000</u>	<u>\$ 2,184,777</u>	<u>\$ 8,574,777</u>
<u>Fiscal Year</u>	<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ 35,000	\$ 74,525	\$ 109,525
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
2026-2030	350,000	298,200	648,200
2031-2035	425,000	220,700	645,700
2036-2040	525,000	126,500	651,500
2041-2045	<u>360,000</u>	<u>22,000</u>	<u>382,000</u>
Total	<u>\$ 1,895,000</u>	<u>\$ 1,024,925</u>	<u>\$ 2,919,925</u>

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, 2020 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%	\$ <u>565,000</u>

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

Fiscal Year	Business-type Activities		Total
	Principal	Interest	
2021	\$ 185,000	\$ 8,694	\$ 193,694
2022	188,000	5,262	193,262
2023	<u>192,000</u>	<u>1,766</u>	<u>193,766</u>
Total	<u>\$ 565,000</u>	<u>\$ 15,722</u>	<u>\$ 580,722</u>

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	
2021	\$ 77,500	\$ 38,363	\$ 115,863
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
2026-2029	<u>310,000</u>	<u>42,626</u>	<u>352,626</u>
Total	<u>\$ 697,500</u>	<u>\$ 191,815</u>	<u>\$ 889,315</u>

Notes payable

In a prior year, the City entered into a promissory note to finance improvements at City Hall. Notes payable currently outstanding at September 30, 2020 are as follows:

Issue Amount	Maturity Date	Interest Rate	Ending Balance	Collateral
\$ 232,200	1/1/2024	6.500%	\$ <u>191,418</u>	Land

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

Fiscal Year	Governmental Activities		Total
	Principal	Interest	
2021	\$ 43,433	\$ 12,442	\$ 55,875
2022	46,256	9,619	55,875
2023	49,263	6,612	55,875
2024	<u>52,466</u>	<u>3,410</u>	<u>55,876</u>
Total	<u>\$ 191,418</u>	<u>\$ 32,083</u>	<u>\$ 223,501</u>

Capital leases

The City is obligated under capital leases for police vehicles and large equipment. At year end, the police vehicles and equipment carry a historical cost of \$180,864 and \$82,019, respectively, and accumulated depreciation of \$39,187 and \$45,110, respectively. The outstanding leases at September 30, 2020 are as follows:

	<u>Amount Payable</u>
<u>Governmental activities:</u>	
Police vehicles (2) payable in annual installments of \$17,724, including interest of 3.50%, with final payment due in October 2020.	\$ 34,247
Police vehicle (1) payable in annual installments of \$12,128, including interest of 3.50%, with final payment due in October 2020.	<u>11,717</u>
Total	<u>\$ 45,964</u>
<u>Business-type activities:</u>	
2018 Caterpillar backhoe payable in annual installments of \$22,225, including interest of 3.30%, with final payment due in December 2021.	<u>\$ 42,339</u>

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2021	\$ <u>47,576</u>	\$ <u>44,450</u>
Total minimum lease payments	47,576	44,450
Less: interest	( <u>1,612</u> )	( <u>2,111</u> )
Present value of minimum lease payments	<u>\$ 45,964</u>	<u>\$ 42,339</u>

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, 2020 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
Certificates of obligation	\$ 2,275,000	\$ 4,175,000	\$( 60,000)	\$ 6,390,000	\$ 245,000
Premium on debt	127,875	138,478	( 5,328)	261,025	-
Notes payable	232,200	-	( 40,782)	191,418	43,433
Capital leases payable	90,377	-	( 44,413)	45,964	45,964
Compensated absences	<u>56,186</u>	<u>116,662</u>	<u>( 109,057)</u>	<u>63,791</u>	<u>15,948</u>
Total	<u>\$ 2,781,638</u>	<u>\$ 4,430,140</u>	<u>\$( 259,580)</u>	<u>\$ 6,952,198</u>	<u>\$ 350,345</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type activities:</u>					
Certificates of obligation	\$ 1,930,000	\$ -	\$( 35,000)	\$ 1,895,000	\$ 35,000
General obligation bonds	747,000	-	( 182,000)	565,000	185,000
Premium on debt	101,779	-	( 4,241)	97,538	-
Contract payable	775,000	-	( 77,500)	697,500	77,500
Capital leases payable	62,501	-	( 20,162)	42,339	20,826
Compensated absences	<u>4,719</u>	<u>20,955</u>	<u>( 18,443)</u>	<u>7,231</u>	<u>1,807</u>
Total	<u>\$ 3,620,999</u>	<u>\$ 20,955</u>	<u>\$( 337,346)</u>	<u>\$ 3,304,608</u>	<u>\$ 320,133</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.

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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	14
Active employees	<u>22</u>
Total	<u><u>51</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 10.54% and 10.53% in calendar years 2020 and 2019, respectively. The City’s total contributions to TMRS for the year ended September 30, 2020, were \$146,811, and were equal to the required contributions.

Net pension liability (asset)

The City’s Net Pension Liability (Asset) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
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 2020 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	<u>10.0%</u>	7.75%
Total	<u><u>100.0%</u></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)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Position</u> <u>(b)</u>	<u>Net Pension Liability/(Asset)</u> <u>(c)</u>
Balance at 12/31/18	\$ 1,892,809	\$ 1,757,647	\$ 135,162
Changes for the year:			
Service cost	223,903	-	223,903
Interest	130,503	-	130,503
Difference between expected and actual experience	( 25,397)	-	( 25,397)
Contributions - employer	-	137,647	( 137,647)
Contributions - employee	-	91,504	( 91,504)
Net investment income	-	272,037	( 272,037)
Benefit payments, including refunds of employee contributions	( 142,778)	( 142,778)	-
Administrative expense	-	( 1,535)	1,535
Other changes	12,664	( 46)	12,710
Net changes	<u>198,895</u>	<u>356,829</u>	<u>( 157,934)</u>
Balance at 12/31/19	<u>\$ 2,091,704</u>	<u>\$ 2,114,476</u>	<u>\$ ( 22,772)</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) \$	325,915	\$( 22,772)	\$( 296,756)

Pension plan fiduciary net position

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

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

For the year ended September 30, 2020, the City recognized pension expense in the governmental activities and business-type activities of \$115,686 a \$26,532, respectively.

At September 30, 2020, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 17,707	\$ 24,283
Changes in actuarial assumptions	10,042	-
Difference between projected and actual investment earnings	-	64,247
Contributions subsequent to the measurement date	<u>106,983</u>	<u>-</u>
Total	<u>\$ 134,732</u>	<u>\$ 88,530</u>

\$106,983 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For the Year Ended September 30,</u>	
2021	\$( 18,289)
2022	( 14,262)
2023	4,635
2024	<u>( 32,865)</u>
Total	<u>\$( 60,781)</u>

**F. Interfund transfers**

The composition of interfund transfers as of September 30, 2020 is as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Debt service	Water and sewer	\$ 172,250
General	Nonmajor governmental	532,317
Nonmajor governmental	Nonmajor governmental	44,813
General	Nonmajor governmental	<u>51,035</u>
Total		<u>\$ 800,415</u>

Transfers were primarily used to:

- Move funds to the Street Improvements fund from the General fund for upcoming streets projects.
- Move funds between nonmajor governmental funds to return unneeded grant matching funds back to the funds from which they originated.
- Move interest and sinking funds to the water and sewer fund to cover debt service payments.

Due to the immateriality of amounts in relation to financial statements taken as a whole, several adjustments necessary to correct previous year fund misstatements were reported in the current year as operating transfers.

## **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, 2020 were \$568,031.

### 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, 2020 were \$607,868. 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, 2020, 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. Utility billing accrued liability**

During the current year, it was discovered that for the past three years the City over-billed several commercial customers for water and sewer charges due to erroneous consumption calculations. On September 30, 2020, the City accrued \$686,936 in water and sewer overcharges to be refunded to customers.

**J. Prior period adjustment**

Beginning net position in the governmental activities has been reduced by \$1,378,600 to account for prior year errors in capital asset additions. Beginning net position in the business-type activities has been reduced by \$445,658 to account for the overbilling of commercial water customers in prior years.

**K. Subsequent event**

Subsequent to September 30, 2020, the City had authorized two (2) Public Improvement Districts (PID).

Patriot Estate PID - Neither annual assessments nor bonds have been levied as of the date of issuance of this Annual Financial Report.

Brahman Ranch I PID - Neither annual assessments nor bonds have been levied or issued as of the date of the issuance of this Annual Financial Report.

Equipment lease - In March 2021, the City entered into a lease agreement for a Wastewater Treatment Package Plant. The lease payments during the initial term are \$14,750 for a period of 60 months.

**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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes and assessments	\$ 1,437,669	\$ 1,465,675	\$ 1,461,049	\$ ( 4,626)
Sales taxes	502,000	492,232	589,007	96,775
Franchise taxes	100,000	114,000	127,867	13,867
Licenses and permits	368,300	653,300	735,428	82,128
Fines and forfeitures	77,000	50,750	52,938	2,188
Charges for service	11,500	30,700	29,294	( 1,406)
Intergovernmental	116,244	151,227	151,440	213
Contributions and donations	13,544	13,544	41,513	27,969
Investment earnings	8,000	20,000	25,713	5,713
Miscellaneous	86,100	10,500	10,221	( 279)
Total revenues	<u>2,720,357</u>	<u>3,001,928</u>	<u>3,224,470</u>	<u>222,542</u>
<b>EXPENDITURES</b>				
Current:				
General government	667,641	725,235	716,821	8,414
Public safety:				
Fire	64,581	40,455	38,965	1,490
Police	1,219,732	1,247,156	1,199,152	48,004
Municipal court	113,865	112,000	100,329	11,671
Public works	486,105	302,400	280,491	21,909
Economic development	245,000	409,000	445,519	( 36,519)
Capital outlay	-	99,599	57,562	42,037
Debt service:				
Principal	213,375	85,195	85,195	-
Interest and fiscal charges	-	13,435	13,435	-
Total expenditures	<u>3,010,299</u>	<u>3,034,475</u>	<u>2,937,469</u>	<u>97,006</u>
Excess (deficiency) of revenues over expenditures	( 289,942)	( 32,547)	287,001	319,548
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	( 538,905)	( 583,352)	( 44,447)
Sale of capital assets	-	57,599	39,498	( 18,101)
Total other financing sources (uses)	-	( 481,306)	( 543,854)	( 62,548)
Net change in fund balances	( 289,942)	( 513,853)	( 256,853)	257,000
<b>FUND BALANCE - BEGINNING</b>	<u>2,210,923</u>	<u>2,210,923</u>	<u>2,210,923</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,920,981</u>	<u>\$ 1,697,070</u>	<u>\$ 1,954,070</u>	<u>\$ 257,000</u>

**CITY OF VENUS, TEXAS**

NOTES TO BUDGETARY INFORMATION

SEPTEMBER 30, 2020

**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.

**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, 2020

<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>
\$ 161,586	\$ 194,975	\$ 223,903
99,640	113,540	130,503
-	-	-
( 10,387)	30,003	( 25,397)
-	-	12,664
( <u>62,615</u> )	( <u>60,599</u> )	( <u>142,778</u> )
188,224	277,919	198,895
<u>1,426,666</u>	<u>1,614,890</u>	<u>1,892,809</u>
\$ <u>1,614,890</u>	\$ <u>1,892,809</u>	\$ <u>2,091,704</u>
\$ 98,912	\$ 121,386	\$ 137,647
64,194	78,438	91,504
190,996	( 50,015)	272,037
( 62,615)	( 60,599)	( 142,778)
( 990)	( 966)	( 1,535)
( <u>50</u> )	( <u>50</u> )	( <u>46</u> )
290,447	88,194	356,829
<u>1,379,006</u>	<u>1,669,453</u>	<u>1,757,647</u>
\$ <u>1,669,453</u>	\$ <u>1,757,647</u>	\$ <u>2,114,476</u>
\$( <u>54,563</u> )	\$ <u>135,162</u>	\$( <u>22,772</u> )
103.38%	92.86%	101.09%
\$ 917,058	\$ 1,120,544	\$ 1,297,991
-5.95%	12.06%	-1.75%

**CITY OF VENUS, TEXAS**

REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

<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 market; 12% soft corridor
Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generated basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee tale 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>
\$ 118,665	\$ 132,270	\$ 146,811
<u>118,665</u>	<u>132,270</u>	<u>146,811</u>
-	-	-
1,093,819	1,247,062	1,376,629
10.85%	10.61%	10.66%

**THIS PAGE LEFT BLANK INTENTIONALLY**

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

**THIS PAGE LEFT BLANK INTENTIONALLY**

## 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.

**Grant Fund** – This fund is used to account for the proceeds of grants that are restricted to expenditures for specified purposes.

**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.

**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.

**CITY OF VENUS, TEXAS**

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

	Special Revenue				
			Venus Community Services Development Corporation	Court Technology	Court Security
	Brahman Ranch PID	Grant			
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	22,716	-	298,733	-	20,423
Receivables (net of allowance)	-	-	49,814	-	-
Total assets	<u>22,716</u>	<u>-</u>	<u>348,547</u>	<u>-</u>	<u>20,423</u>
<b>LIABILITIES</b>					
Accounts payable	243	-	36,446	-	-
Accrued liabilities	-	-	1,129	-	-
Unearned revenue	22,473	-	-	-	-
Total liabilities	<u>22,716</u>	<u>-</u>	<u>37,575</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted for:					
Public safety	-	-	-	-	20,423
Streets	-	-	-	-	-
Economic development	-	-	310,972	-	-
Committed for:					
Capital projects	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>310,972</u>	<u>-</u>	<u>20,423</u>
Total liabilities and fund balances	<u>\$ 22,716</u>	<u>\$ -</u>	<u>\$ 348,547</u>	<u>\$ -</u>	<u>\$ 20,423</u>



<u>Special Revenue</u>			<u>Capital Projects</u>	
<u>Truancy Prevention</u>	<u>Street Tax</u>	<u>Blue Stem PID</u>	<u>Street Improvements</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 541,125	\$ 541,125
649	4,872	7,720	-	355,113
-	24,907	-	-	74,721
<u>649</u>	<u>29,779</u>	<u>7,720</u>	<u>541,125</u>	<u>970,959</u>
-	4,872	-	1,761	43,322
-	-	-	14,065	15,194
-	-	-	-	22,473
<u>-</u>	<u>4,872</u>	<u>-</u>	<u>15,826</u>	<u>80,989</u>
649	-	-	-	21,072
-	24,907	-	-	24,907
-	-	7,720	-	318,692
<u>-</u>	<u>-</u>	<u>-</u>	<u>525,299</u>	<u>525,299</u>
<u>649</u>	<u>24,907</u>	<u>7,720</u>	<u>525,299</u>	<u>889,970</u>
<u>\$ 649</u>	<u>\$ 29,779</u>	<u>\$ 7,720</u>	<u>\$ 541,125</u>	<u>\$ 970,959</u>

**CITY OF VENUS, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Special Revenue				
	Brahman Ranch PID	Grant	Venus Community Services Development Corporation	Court Technology	Court Security
<b>REVENUES</b>					
Property taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	235,603	-	-
Fines and forfeitures	-	-	-	1,302	1,279
Contributions and donations	5,021	-	-	-	-
Investment earnings	-	-	1,344	275	363
Total revenues	<u>5,021</u>	<u>-</u>	<u>236,947</u>	<u>1,577</u>	<u>1,642</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	-	-	-	1,577	1,994
Culture and recreation	-	94	-	-	-
Public works	5,021	-	-	-	-
Economic development	-	-	34,096	-	-
Capital outlay	-	-	81,924	-	-
Total expenditures	<u>5,021</u>	<u>94</u>	<u>116,020</u>	<u>1,577</u>	<u>1,994</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>( 94)</u>	<u>120,927</u>	<u>-</u>	<u>( 352)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	63,153	-	-
Transfers out	-	( 29,130)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>( 29,130)</u>	<u>63,153</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>( 29,224)</u>	<u>184,080</u>	<u>-</u>	<u>( 352)</u>
<b>FUND BALANCE - BEGINNING</b>	<u>-</u>	<u>29,224</u>	<u>126,892</u>	<u>-</u>	<u>20,775</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,972</u>	<u>\$ -</u>	<u>\$ 20,423</u>

Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
Truancy Prevention	Street Tax	Blue Stem PID	Street Improvements	
\$ -	\$ -	\$ 62,893	\$ -	\$ 62,893
-	117,801	-	-	353,404
649	-	-	-	3,230
-	-	-	-	5,021
-	673	11	-	2,666
<u>649</u>	<u>118,474</u>	<u>62,904</u>	<u>-</u>	<u>427,214</u>
-	-	-	-	3,571
-	-	-	-	94
-	122,381	55,184	-	182,586
-	-	-	-	34,096
-	-	-	22,701	104,625
<u>-</u>	<u>122,381</u>	<u>55,184</u>	<u>22,701</u>	<u>324,972</u>
<u>649</u>	<u>( 3,907)</u>	<u>7,720</u>	<u>( 22,701)</u>	<u>102,242</u>
-	17,012	-	548,000	628,165
-	( 15,683)	-	-	( 44,813)
<u>-</u>	<u>1,329</u>	<u>-</u>	<u>548,000</u>	<u>583,352</u>
<u>649</u>	<u>( 2,578)</u>	<u>7,720</u>	<u>525,299</u>	<u>685,594</u>
<u>-</u>	<u>27,485</u>	<u>-</u>	<u>-</u>	<u>204,376</u>
<u>\$ 649</u>	<u>\$ 24,907</u>	<u>\$ 7,720</u>	<u>\$ 525,299</u>	<u>\$ 889,970</u>

**CITY OF VENUS, TEXAS**

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

ENTERPRISE FUND - WATER AND SEWER

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
	<b>OPERATING REVENUES</b>					
Charges for services:						
Water and sewer service	\$ 1,975,500	\$ 2,811,500	\$ 2,675,499	\$ 27,043	\$ 2,702,542	\$ ( 108,958)
Sanitation service	168,000	367,514	365,357	-	365,357	( 2,157)
Miscellaneous	250,000	1,375	8,841	-	8,841	7,466
Total operating revenues	<u>2,393,500</u>	<u>3,180,389</u>	<u>3,049,697</u>	<u>27,043</u>	<u>3,076,740</u>	<u>( 103,649)</u>
<b>OPERATING EXPENSES</b>						
Personnel services	342,024	357,692	352,773	-	352,773	4,919
Materials and supplies	131,000	107,695	105,622	-	105,622	2,073
Contractual services	1,684,505	1,839,597	1,818,499	( 45,500)	1,772,999	66,598
Depreciation	-	-	296,170	( 296,170)	-	-
Total operating expenses	<u>2,157,529</u>	<u>2,304,984</u>	<u>2,573,064</u>	<u>( 341,670)</u>	<u>2,231,394</u>	<u>73,590</u>
Operating income (loss)	<u>235,971</u>	<u>875,405</u>	<u>476,633</u>	<u>368,713</u>	<u>845,346</u>	<u>( 30,059)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment earnings	1,500	7,385	19,478	( 6,801)	12,677	5,292
Gain (loss) on disposal of capital assets	-	-	18,101	-	18,101	18,101
Principal expense	( 132,955)	( 359,350)	-	( 318,903)	( 318,903)	40,447
Interest expense	( 297,620)	( 87,645)	( 128,181)	-	( 128,181)	( 40,536)
Total nonoperating revenues	<u>( 429,075)</u>	<u>( 439,610)</u>	<u>( 90,602)</u>	<u>( 325,704)</u>	<u>( 416,306)</u>	<u>( 23,304)</u>
Income (loss) before transfers and contributions	<u>( 193,104)</u>	<u>435,795</u>	<u>386,031</u>	<u>43,009</u>	<u>429,040</u>	<u>( 6,755)</u>
Capital expenses	<u>( 854,787)</u>	<u>( 432,539)</u>	<u>-</u>	<u>( 192,928)</u>	<u>( 192,928)</u>	<u>239,611</u>
<b>TRANSFERS &amp; CAPITAL CONTRIBUTIONS</b>						
Transfers in	-	172,250	172,250	-	172,250	-
Capital contributions	-	-	49,200	( 49,200)	-	-
Total transfers & capital contributions	<u>-</u>	<u>172,250</u>	<u>221,450</u>	<u>( 49,200)</u>	<u>172,250</u>	<u>-</u>
Change in net position	<u>( 1,047,891)</u>	<u>175,506</u>	<u>607,481</u>	<u>( 199,119)</u>	<u>408,362</u>	<u>232,856</u>
<b>FUND BALANCE - BEGINNING</b>	1,534,793	1,679,101	4,953,084	-	4,953,084	3,273,983
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	( 445,658)	445,658	-	( 445,658)
<b>FUND BALANCE - ENDING</b>	<u>\$ 486,902</u>	<u>\$ 1,854,607</u>	<u>\$ 5,114,907</u>	<u>\$ 246,539</u>	<u>\$ 5,361,446</u>	<u>\$ 3,506,839</u>

## **COMPLIANCE SECTION**

**THIS PAGE LEFT BLANK INTENTIONALLY**

**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 the City Council and Citizens  
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, 2020, 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 30, 2021.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting 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. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of finding and responses as item 2020-001 to be a material weakness.

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.

**OFFICE LOCATIONS**

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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.

## **The City of Venus, Texas' Response to Findings**

The City of Venus, Texas' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 City'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 30, 2021



**CITY OF VENUS, TEXAS**

SCHEDULE OF FINDINGS AND RESPONSES

SEPTEMBER 30, 2020

**Item 2020-001**

Criteria: Internal controls are an essential tool for ensuring a government meets its stated objectives. Management should define those objectives clearly to enable the identification of risks and also design control activities to achieve those objectives and respond to identified risks.

Condition: The City has not designed or implemented internal controls over the accuracy of utility bills. When the current utility billing system was implemented in 2017, errors were made in the setup of accounts for large commercial customers with compound meters.

Effect: In the current year it was determined the City has overbilled three large commercial utility customers since fiscal year 2017 in the amount of \$691,313.

Recommendation: Management should perform a formal evaluation of the risks associated with the accuracy of customer utility bills and implement internal controls over the account setup, meter reading and billing processes.

Management's Response: In January 2021, an internal audit was performed on the utility billing system. It was determined that during the swap-out of manually-read meters, multipliers and scales were not set up correctly in the billing software. When compound meters for large commercial customers were installed, the utility billing system was not modified to read these types of meters (multiple dials for one meter) and incorrect scales were used which calculated consumption incorrectly. These errors were corrected in the software before January 2020 billing was calculated. All customer bills with compound meters were manually calculated from December 2020 back to October 2017, and errors were corrected in the billing software resulting in significant refunds to large commercial water customers. Experienced staff within the Finance/ Accounting Department took over responsibility of monthly bill calculations, and proper internal controls were implemented as part of the monthly review and approval process.

**THIS PAGE LEFT BLANK INTENTIONALLY**