



City Of Royse City, Texas

Annual Financial Report

Fiscal Year Ended September 30, 2023

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City of Royse City, Texas

Independent Auditor's Report and Financial Statements

September 30, 2023

**Carl Alsabrook
City Manager**

**Shannon Raymond
Assistant City Manager/CFO**



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Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of Royse City, Texas

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Royse City, Texas (City), as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

The Honorable Mayor and Members of the City Council
City of Royse City, Texas

Supplementary Information

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

FORVIS, LLP

**Dallas, Texas
March 28, 2024**

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City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2023

As management of the City of Royse City, Texas (City), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ending September 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

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 fiscal year by \$103,495,968 (net position). Of this amount, \$49,741,871, or 48.06 percent, represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets. The amount of net position restricted for debt service, capital projects, impact fees, and other purposes is \$31,300,505 or 30.24 percent. Total unrestricted net position is \$22,453,592 or 21.70 percent.
- The government's total net position increased by \$16,574,925, or 19.07 percent, over the prior year. The \$7,333,748, or 17.29 percent, increase in net investment capital assets represents capital expenditures less depreciation, retirement of current debt, unspent bond proceeds and capital contributions. The \$3,794,702, or 13.80 percent, increase in restricted net position represents the change in resources that are subject to external restrictions on their use. The \$5,446,475 or 32.02 percent, increase in unrestricted net position represents the change in resources available to fund City programs to citizens.
- The City's governmental funds combined ending fund balance of \$41,230,178 was a decrease of 17.60 percent, or \$8,804,771, from the prior year ending fund balance of \$50,034,949.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund amounts to \$5,751,152 and was 37.51 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is 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) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains required and other supplemental information that will enhance the reader's understanding of the financial condition of the City.

Basic Financial Statements. The first two statements (pages 16-17) in the basic financial statements are the government-wide financial statements. They provide both short and long-term information about the City's financial status.

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2023

The next statements (pages 18-24) are fund financial statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund financial statements: 1) the Governmental Fund financial statements and 2) the Proprietary Fund financial statements.

The next section of the basic financial statements is the notes, beginning on page 25. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, required supplementary information (pages 67-71) is provided to show details about the City's budgetary information for the General Fund, and various information on the pension and OPEB plans. Supplemental information (pages 72-104) is also included to provide combining nonmajor fund financial statements, individual financial statements of the component unit, and information about the City's budgetary comparison for the Debt Service Fund, Bonds Capital Projects Fund, and non-major Special Revenue Funds that have approved budgets.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The Statement of Net Position presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Net Position combines governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. In order to assess the overall health or financial condition of the City, other non-financial factors should also be taken into consideration. These include changes in the City's property tax base and the condition of the City's infrastructure.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing related to cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (*e.g.*, uncollected taxes and earned, but not unused, vacation leave, if material value).

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the City's basic services such as public safety, public services, parks and recreation, and general administration. Property taxes, sales tax, licenses and permits, and franchise fees finance most of the activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems are

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2023

reported as business-type activities. The final category is the component unit. The City includes one separate legal entity in its report – the Royse City Community Development Corporation. Although legally separate, this “component unit” is important because the City is financially accountable for them.

The government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements. The fund financial statements provide a more detailed look at the City's most significant funds. 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. Some funds are required to be established by state law and by bond covenants. However, the City Council established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the City's funds can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flows in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs.

Because the focus of the 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 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 provides a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirty-one individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Debt Service Fund, Bonds Capital Projects Fund, ARPA Grant Fund, and General Capital/CIP Fund which are considered major funds. Data from the other twenty-six governmental funds are combined into a single aggregated presentation. 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.

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2023

The City adopts an annual budget for its General Fund, Debt Service Fund, Bonds Capital Projects Fund, and certain Special Revenue Funds as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statements and schedules provided for the funds demonstrates how well the City complied with the budget ordinance and whether the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison schedules use the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) original budget; 2) the final budget as amended by the Council; 3) the actual resources, charges for appropriations, and ending balances in the funds; and 4) the difference or variance between the final budget and the actual resources and charges.

The Governmental Fund financial statements can be found on pages 18-21 of this report.

Proprietary Funds. The City maintains two types of proprietary funds, enterprise funds and internal service funds. The City uses enterprise funds to account for charges to customers for the services it provides. Internal service funds are used to account for the accumulation and allocation of costs internally among the City's various functions. The City uses internal service funds to account for funding vehicle, equipment, IT capital purchases and risk management with transfers from the operating funds. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way activities are reported in the statement of net position and the statement of activities. In fact, the proprietary funds provide the same type of information as the government-wide financial statements, only contain more detail, such as cash flow statements. The City has one enterprise fund, the Water and Sewer Fund, which is considered a major fund, and three internal service funds, the Technology Replacement Fund, the Vehicle Replacement Fund, and the Risk Management Fund, which are all considered nonmajor funds.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's budgetary information for the General Fund and progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 67-71 of this report.

The combining and individual statements and budgetary schedules referred to earlier in connection with nonmajor funds, are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 72-104 of this report.

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2023

Government-Wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$103,495,968 as of September 30, 2023. The City's net position increased by \$16,574,925, or 19.07 percent for the fiscal year ended September 30, 2023.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 53,345,121	\$ 57,783,782	\$ 45,749,787	\$ 38,248,119	\$ 99,094,908	\$ 96,031,901
Capital and subscription assets	44,852,462	30,996,312	26,536,305	24,261,066	71,388,767	55,257,378
Total assets	<u>98,197,583</u>	<u>88,780,094</u>	<u>72,286,092</u>	<u>62,509,185</u>	<u>170,483,675</u>	<u>151,289,279</u>
Deferred outflows of resources	1,984,575	884,339	397,377	248,595	2,381,952	1,132,934
Current liabilities	9,623,907	5,638,271	3,142,946	1,258,849	12,766,853	6,897,120
Long-term liabilities	40,958,225	41,382,755	15,320,072	16,232,310	56,278,297	57,615,065
Total liabilities	<u>50,582,132</u>	<u>47,021,026</u>	<u>18,463,018</u>	<u>17,491,159</u>	<u>69,045,150</u>	<u>64,512,185</u>
Deferred inflows of resources	314,062	893,769	10,447	95,216	324,509	988,985
Net position						
Net investment in capital assets	29,401,342	25,242,425	20,340,529	17,165,698	49,741,871	42,408,123
Restricted	12,797,108	10,662,694	18,503,397	16,843,109	31,300,505	27,505,803
Unrestricted	<u>7,087,514</u>	<u>5,844,519</u>	<u>15,366,078</u>	<u>11,162,598</u>	<u>22,453,592</u>	<u>17,007,117</u>
Total net position	<u>\$ 49,285,964</u>	<u>\$ 41,749,638</u>	<u>\$ 54,210,004</u>	<u>\$ 45,171,405</u>	<u>\$ 103,495,968</u>	<u>\$ 86,921,043</u>

Net Investment in Capital Assets. A large portion of the City's net position, \$49,741,871, or 48.06 percent, reflects the City's investment in capital and subscription assets (*e.g.*, land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted Net Position. The restricted net position of \$31,300,505, or 30.24 percent, of total net position, represents resources that are subject to external restrictions on their use or restrictions by enabling legislation.

Unrestricted Net Position. Unrestricted net position in the amount of \$22,453,592, or 21.70 percent is available to fund the City's programs to its citizens and obligations to its creditors.

At the end of the current fiscal year, the City was able to report positive balances in all reported categories of net position, both for the City as a whole, as well as its separate governmental and business-type activities.

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2023

The City's overall net position increased \$16,574,925 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 Royse City's Changes in Net Position

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$7,536,326 from the prior fiscal year for an ending balance of \$49,285,964. The increase in the overall position of governmental activities is the result of continued increases in property tax collections and sales tax collections due to the City's growing and continued development and investment earning a higher interest rate offset by an increase in expenses related to personnel costs including pension and overall effects of inflation. Additionally, charges for services and capital contributions decreased from prior year due to a decrease in permits and no developer contributions received during 2023.

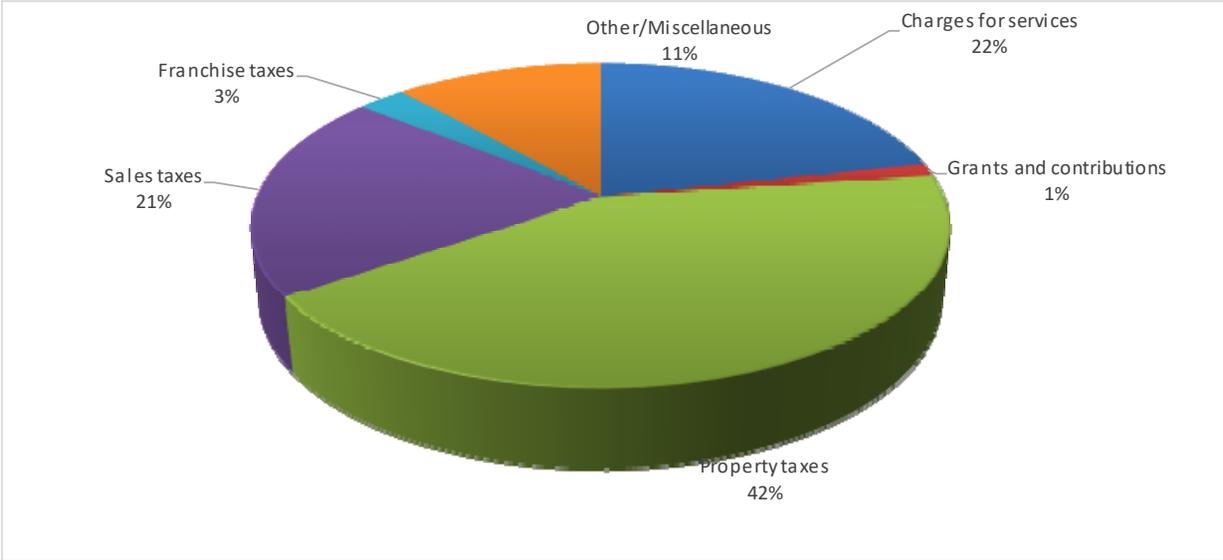
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Charges for services	\$ 5,587,030	\$ 8,548,680	\$ 16,082,049	\$ 16,502,622	\$ 21,669,079	\$ 25,051,302
Operating grants and contributions	320,113	283,889	-	-	320,113	283,889
Capital grants and contributions	-	4,131,535	953,626	5,812,388	953,626	9,943,923
General Revenues						
Property taxes	10,919,627	8,005,596	-	-	10,919,627	8,005,596
Sales taxes	5,307,870	4,764,459	-	-	5,307,870	4,764,459
Franchise taxes	686,974	576,980	-	-	686,974	576,980
Beverage taxes	35,128	39,200	-	-	35,128	39,200
Hotel motel taxes	116,467	79,670	-	-	116,467	79,670
Interest income	2,454,160	299,272	1,389,894	187,974	3,844,054	487,246
Miscellaneous	347,065	326,314	-	-	347,065	326,314
Total revenues	25,774,434	27,055,595	18,425,569	22,502,984	44,200,003	49,558,579
Expenses						
General government	4,845,678	3,808,042	-	-	4,845,678	3,808,042
Public safety	7,247,882	5,520,303	-	-	7,247,882	5,520,303
Public works	1,462,791	1,475,262	-	-	1,462,791	1,475,262
Community development	1,300,728	1,163,320	-	-	1,300,728	1,163,320
Culture and recreation	1,507,591	1,229,499	-	-	1,507,591	1,229,499
Interest on long-term debt	1,643,438	1,042,290	-	-	1,643,438	1,042,290
Water and sewer services	-	-	9,616,970	7,412,340	9,616,970	7,412,340
Total expenses	18,008,108	14,238,716	9,616,970	7,412,340	27,625,078	21,651,056
Increase in net position						
before transfers and special item	7,766,326	12,816,879	8,808,599	15,090,644	16,574,925	27,907,523
Transfers	(230,000)	(950,000)	230,000	950,000	-	-
Increase in Net Position	7,536,326	11,866,879	9,038,599	16,040,644	16,574,925	27,907,523
Net Position, Beginning	41,749,638	29,882,759	45,171,405	29,130,761	86,921,043	59,013,520
Net Position, Ending	\$ 49,285,964	\$ 41,749,638	\$ 54,210,004	\$ 45,171,405	\$ 103,495,968	\$ 86,921,043

City of Royse City, Texas

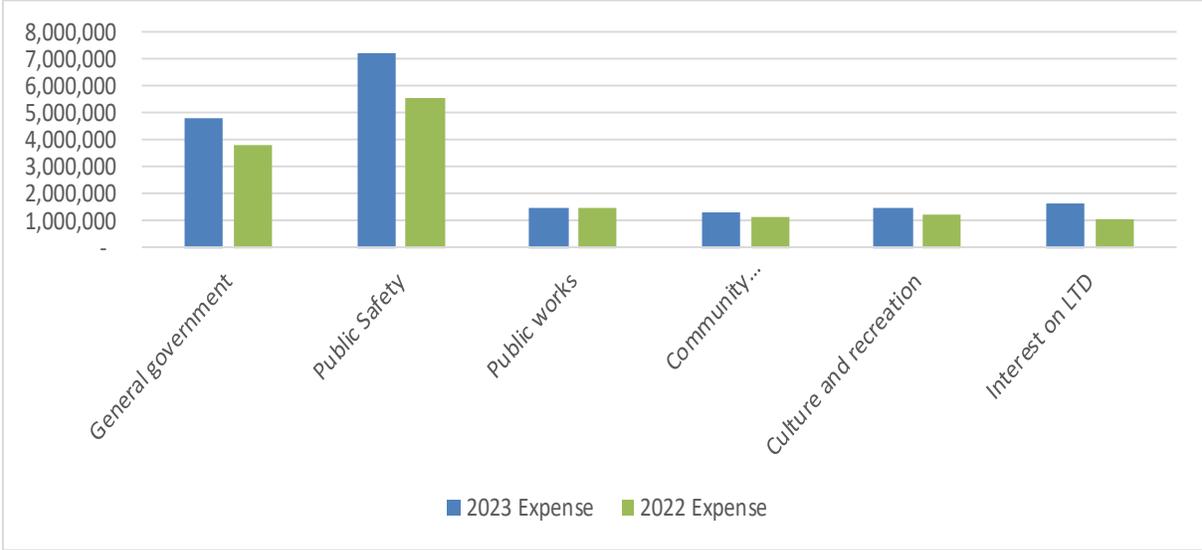
Management's Discussion and Analysis

For the Year Ended September 30, 2023

Revenues by Source – Governmental Activities



Program Expenses – Governmental Activities



City of Royse City, Texas

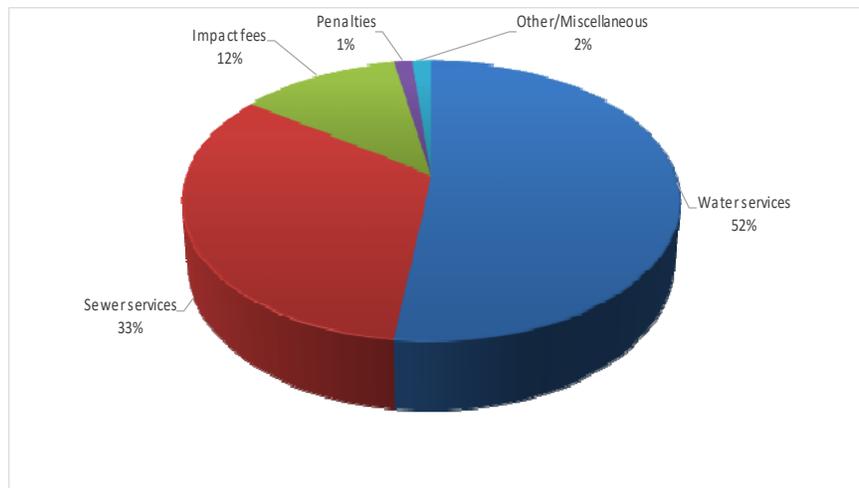
Management’s Discussion and Analysis

For the Year Ended September 30, 2023

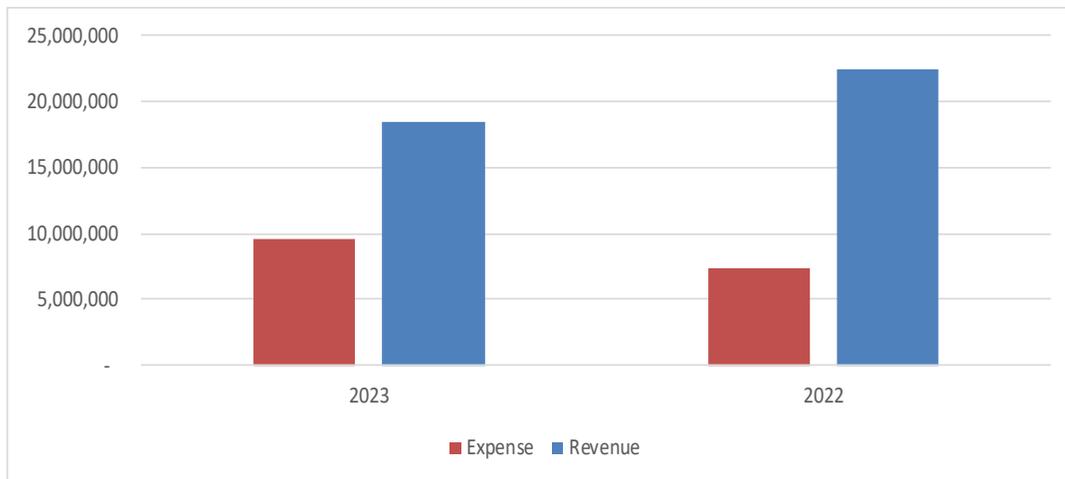
Business-type Activities. Business-type activities increased the City’s net position by \$9,038,599 compared to \$16,040,644 in fiscal year 2022. Key elements of this change are as follows:

- A decrease in intergovernmental contributions which will fluctuate from year to year and increases in expenses due to increased cost of personnel, water purchases and interceptor services.

Revenues by Source – Business-type Activities



Program Expenses – Business-type Activities



City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2023

Financial Analysis of the City's 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 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 Council.

At September 30, 2023, the City's governmental funds reported combined fund balances of \$41,230,178, a decrease of \$8,804,771 or 17.60 percent. The components of total fund balances are as follows:

- Restricted fund balance of \$34,477,789, or 83.62 percent, consists of amounts restricted by external laws or contractual obligations as follows: \$1,508,512 for debt service; \$26,122,545 for construction projects; \$3,759,204 for roadway fees; \$26,902 for public safety; \$138,857 for municipal courts; \$355,674 for tourism; \$1,484,087 for public improvement; and \$1,082,008 for community development.
- Assigned fund balance of \$1,001,237 or 2.43 percent, consists of amounts that are constrained by City Council, or the City Manager as follows: \$850,000 for general government, \$6,732 for the senior center; \$31,203 for parks and recreation; \$6,870 for public safety; \$59,667 for main street, and \$46,765 for animal control and for the animal shelter.
- Unassigned fund balance, \$5,751,152, or 13.95 percent, represents residual available fund balances that have not been restricted, or assigned, by management, City Council, or otherwise.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,751,152, compared to \$4,815,806 at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 37.51 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$935,346 during the fiscal year. The increase was due to increases in property tax collections, sales tax collections, fines and forfeitures collections, charges for services and intergovernmental revenue offset by transfers out for capital outlay.

The Debt Service Fund had an increase in fund balance during the current year of \$165,802. This was mainly attributed to an increase in property tax collection related to the growth of the City.

The Bonds Capital Projects Fund had a decrease in fund balance during the current fiscal year of \$12,251,862 which was primarily due to expenditures for capital projects. The City is using the debt proceeds to fund these projects.

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2023

The ARPA Grant Fund had a minimal increase in fund balance during the current fiscal year of \$31 which was primarily due to the City not incurring any eligible expenditures while earning interest on proceeds.

The General Capital/CIP Fund had an increase in fund balance during the current fiscal year of \$361,271 which was primarily due to transfers from the General Fund offset by capital outlay expenditures.

Proprietary Funds. The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the enterprise fund at the end of the fiscal year amounted to \$15,366,078.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget. The City amends the adopted budget whenever necessary to account for various changes that become known throughout the fiscal year. There was one budget amendment in FY2023. The budget amendment was to adjust appropriations across several funds.

Final Budget Compared to Actual Results. For the fiscal year 2022-2023, General Fund actual revenues of \$17,091,318 exceeded budgeted revenues of \$15,562,400, a positive variance of \$1,528,918. The main reasons for this variance were greater than expected sales tax (\$355,020) and investment income (\$482,352). As for General Fund expenditures, the City spent \$15,333,161, a \$463,039 difference between budget expenditures of \$15,796,200. The main surplus from this budget occurred in general government and capital outlay, which spent \$196,942 and \$523,668, respectively, less than the budgeted amount.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital and subscription assets for its governmental and business-type activities as of September 30, 2023 amounts to \$71,388,767 (net of accumulated depreciation). These assets include land, buildings, improvements, infrastructure, machinery and equipment, subscription assets and construction in progress. The City's governmental capital assets increased by 44.70 percent and the business-type capital assets increased by 9.38 percent.

Major capital asset transactions during the year include the following:

- \$13,118,918 was spent for construction in progress related to the Police Department.
- \$1,363,574 was spent for pump station #2 expansion.
- \$953,625 was spent for utility relocations related to Interstate-30 road expansion.
- \$454,646 was spent on increasing and equipping the police vehicle fleet.
- \$665,782 was spent for street improvement projects throughout the City.
- \$356,627 was spent to acquire land.

City of Royse City, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2023

Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2023	2022 *	2023	2022 *	2023	2022 *
Land	\$ 2,832,275	\$ 2,475,648	\$ 1,602,440	\$ 1,553,001	\$ 4,434,715	\$ 4,028,649
Construction in progress	13,950,722	510,269	758,866	2,322,032	14,709,588	2,832,301
Buildings and improvements	30,418,099	30,015,909	39,551	39,551	30,457,650	30,055,460
Machinery and equipment	6,669,371	5,903,644	1,218,397	664,160	7,887,768	6,567,804
Infrastructure and systems	-	-	32,861,172	28,896,956	32,861,172	28,896,956
Subscription assets	139,058	-	118,318	-	257,376	-
Accumulated depreciation	(9,157,063)	(7,909,158)	(10,062,439)	(9,214,634)	(19,219,502)	(17,123,792)
Total	\$ 44,852,462	\$ 30,996,312	\$ 26,536,305	\$ 24,261,066	\$ 71,388,767	\$ 55,257,378

* Fiscal year 2022 balances have not been restated for GASB 96

More detailed information about the City's capital assets can be found in *Note 6* on pages 44-46 of this report.

Long-term Debt. As of September 30, 2023, the City had total long-term debt outstanding of \$51,939,517, a decrease of \$3,561,620, or 6.42 percent, from the prior year. All outstanding debt is backed by the full faith and credit of the government.

Outstanding Bonded Debt

	Governmental Activities		Business-type Activities		Primary Government Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 2,550,000	\$ 3,019,769	\$ 5,505,000	\$ 6,370,231	\$ 8,055,000	\$ 9,390,000
Certificates of obligation	9,856,000	10,626,000	8,064,000	8,354,000	17,920,000	18,980,000
Private placement - certificates of obligation	24,005,000	25,120,000	-	-	24,005,000	25,120,000
Subscription liabilities	64,221	-	54,707	-	118,928	-
Premiums (discounts) on long term debt	669,367	740,780	1,171,222	1,270,357	1,840,589	2,011,137
Totals	\$ 37,144,588	\$ 39,506,549	\$ 14,794,929	\$ 15,994,588	\$ 51,939,517	\$ 55,501,137

* Fiscal year 2022 balances have not been restated for GASB 96

More detailed information about the City's long-term debt is presented in *Note 7*, on pages 47-52 of the financial statements.

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2023

Economic Factors and Next Year's Budgets and Rates

Royse City continues to see consistent residential growth. While interest rate hikes have slowed permit issuance over the previous two record-high years, residential developers continue to build new phases of development keeping a healthy lot inventory available. Hunt County Regional is under construction for a new hospital in Royse City and medical office interest is high. The retail shopping environment continues to evolve. New shopping areas are under construction and others are planned in FY24-25.

Royse City has enjoyed a thriving downtown for several years; where the small-town community and relationships are fostered and maintained – a true illustration of “A Friendly Touch of Texas.” Royse City is a designated Texas Main Street City and is recognized as a nationally accredited program. A number of small businesses and restaurants make Main Street home, and the city hosts several events downtown throughout the year.

The largest single revenue source in the fiscal year 2024 General Fund Budget is property taxes, which account for 40% of total revenues. Assessed property values in Royse City increased approximately \$396 million from the prior year, including \$272 million in new property entering the tax roll for the first time. Council lowered the tax rate to \$0.5840 per \$100 valuation for the fiscal year 2024. Sales tax revenue remains the City's second largest revenue source, making up 32% of General Fund Revenues. Sales tax was budgeted with a modest 5% increase.

The FY24 Annual Budget was prepared being mindful of the continuing need to address growth pressures to staffing and infrastructure. Construction continues on the new Police Station, a facility will be remodeled to house Senior Center Programs, and City Council authorized the funding for the renovation and remodel of City Hall. Road reconstruction and expansion projects remain priority. Engineering is completed and construction should begin in Spring for a downtown road improvement project. Additional growth-related projects for water and sewer include a new water tower, wastewater interceptor lines and waterline extensions. New positions were authorized in the police department, fire department, facilities, HR and public works. Additionally, the downtown Spraypark will receive renovations and playground upgrades in FY24.

Water/Sewer Fund expenditures continue to be impacted by increased wholesale water rates and sewer treatment charges and sewer construction projects. A sewer treatment plant expansion and several infrastructure projects are under various levels of design and construction. Rate adjustments from the most recent rate study and ordinance approval will continue implementation through FY24.

Requests for Information

This report is designed to provide an overview of the City's finances for all those with an interest in the government's finances. Questions concerning the information found in this report or requests for additional financial information should be addressed to the City of Royse City, Finance Director, P.O. Box 638, Royse City, Texas 75189.

Basic Financial Statements

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City of Royse City, Texas

Statement of Net Position

September 30, 2023

	Primary Government			Component Unit
	Governmental	Business-type	Total	Royse City
	Activities	Activities		Community Development Corporation
Assets				
Cash and cash equivalents	\$ 51,358,658	\$ 15,518,752	\$ 66,877,410	\$ 5,133,361
Receivables (net of allowances for uncollectibles)	1,733,276	2,193,196	3,926,472	338,275
Lease receivable	252,451	-	252,451	188,399
Lease interest receivable	736	-	736	536
Note receivable	-	-	-	250,000
Due from other governments	-	2,600,642	2,600,642	-
Restricted cash and cash equivalents	-	25,437,197	25,437,197	-
Capital assets not being depreciated	16,782,997	2,361,306	19,144,303	1,232,378
Capital and subscription assets, net of accumulated depreciation/amortization	28,069,465	24,174,999	52,244,464	111,986
Total assets	98,197,583	72,286,092	170,483,675	7,254,935
Deferred Outflows of Resources				
Deferred outflows of resources – Pension	1,937,129	293,610	2,230,739	72,077
Deferred outflows of resources – OPEB	27,734	4,204	31,938	1,032
Deferred loss on refunding	19,712	99,563	119,275	-
Total deferred outflows of resources	1,984,575	397,377	2,381,952	73,109
Liabilities				
Accounts payable	3,817,115	1,530,856	5,347,971	1,541
Accrued liabilities	599,596	57,232	656,828	17,337
Accrued interest payable	201,204	7,053	208,257	-
Unearned revenue	3,650,149	619,479	4,269,628	-
Other liabilities	172,843	-	172,843	-
Escrow deposits	1,183,000	-	1,183,000	-
Customer deposits	-	928,326	928,326	-
Noncurrent liabilities:				
Due within one year				
Compensated absences	50,880	2,423	53,303	673
Certificates of obligation	778,413	303,000	1,081,413	-
Bonds payable	573,143	910,992	1,484,135	-
Private placement – certificates of obligation	1,105,000	-	1,105,000	-
Subscription liabilities	31,404	26,751	58,155	-
Due in more than one year				
Compensated absences	457,924	21,809	479,733	6,053
Certificates of obligation	9,746,954	7,761,000	17,507,954	-
Bonds payable	1,976,857	5,765,230	7,742,087	-
Private placement – certificates of obligation	22,900,000	-	22,900,000	-
Subscription liabilities	32,817	27,956	60,773	-
Net pension liability	3,183,554	482,529	3,666,083	118,455
Total OPEB liability	121,279	18,382	139,661	4,513
Total liabilities	50,582,132	18,463,018	69,045,150	148,572
Deferred Inflows of Resources				
Deferred inflows of resources – Pension	5,040	764	5,804	187
Deferred inflows of resources – OPEB	63,885	9,683	73,568	2,377
Deferred inflows of resources – Lease related	245,137	-	245,137	179,756
Total deferred inflows of resources	314,062	10,447	324,509	182,320
Net Position				
Net investment in capital assets	29,401,342	20,340,529	49,741,871	1,344,364
Restricted for:				
Debt service	1,508,512	-	1,508,512	-
Capital projects	4,441,864	3,250,000	7,691,864	-
Impact fees	3,759,204	15,253,397	19,012,601	-
Other purposes	3,087,528	-	3,087,528	5,652,788
Unrestricted	7,087,514	15,366,078	22,453,592	-
Total net position	\$ 49,285,964	\$ 54,210,004	\$ 103,495,968	\$ 6,997,152

City of Royse City, Texas
Statement of Activities
For the Year Ended September 30, 2023

Function/Program:	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Royse City Community Development Corporation
					Governmental Activities	Business-type Activities		
Primary Government:								
Governmental activities:								
General government	\$ 4,845,678	\$ 234,083	\$ 3,776	\$ -	\$ (4,607,819)	\$ -	\$ (4,607,819)	\$ -
Public safety	7,247,882	732,288	5,530	-	(6,510,064)	-	(6,510,064)	-
Public works	1,462,791	1,145,184	-	-	(317,607)	-	(317,607)	-
Community development	1,300,728	3,371,623	308,747	-	2,379,642	-	2,379,642	-
Culture and recreation	1,507,591	103,852	2,060	-	(1,401,679)	-	(1,401,679)	-
Interest on long-term debt	1,643,438	-	-	-	(1,643,438)	-	(1,643,438)	-
Total governmental activities	18,008,108	5,587,030	320,113	-	(12,100,965)	-	(12,100,965)	-
Water and wastewater	9,616,970	16,082,049	-	953,626	-	7,418,705	7,418,705	-
Total business-type activities	9,616,970	16,082,049	-	953,626	-	7,418,705	7,418,705	-
Total primary government	\$ 27,625,078	\$ 21,669,079	\$ 320,113	\$ 953,626	(12,100,965)	7,418,705	(4,682,260)	-
Component Unit:								
Royse City Community Development Corporation	\$ 741,012	\$ 263,909	\$ -	\$ -				\$ (477,103)
Total component unit	\$ 741,012	\$ 263,909	\$ -	\$ -				\$ (477,103)
General Revenues								
Property taxes					10,919,627	-	10,919,627	-
Sales taxes					5,307,870	-	5,307,870	2,017,330
Franchise taxes					686,974	-	686,974	-
Beverage taxes					35,128	-	35,128	-
Hotel motel taxes					116,467	-	116,467	-
Investment earnings					2,454,160	1,389,894	3,844,054	30,494
Miscellaneous					347,065	-	347,065	-
Transfers					(230,000)	230,000	-	-
Total general revenues and transfers					19,637,291	1,619,894	21,257,185	2,047,824
Change in net position					7,536,326	9,038,599	16,574,925	1,570,721
Net Position, Beginning of Year					41,749,638	45,171,405	86,921,043	5,426,431
Net Position, End of Year					\$ 49,285,964	\$ 54,210,004	\$ 103,495,968	\$ 6,997,152

City of Royse City, Texas
Balance Sheet – Governmental Funds
September 30, 2023

	General Fund	Debt Service Fund	Bonds Capital Projects Fund	ARPA Grant Fund	General Capital/CIP Fund	Total Nonmajor Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 6,917,028	\$ 1,509,148	\$ 17,319,235	\$ 3,650,180	\$ 6,967,008	\$ 12,658,585	\$ 49,021,184
Receivables (net of allowance for uncollectibles)	1,668,770	55,467	-	-	-	9,039	1,733,276
Lease receivable	252,451	-	-	-	-	-	252,451
Lease interest receivable	736	-	-	-	-	-	736
Due from other funds	-	-	6,894	-	-	-	6,894
Total assets	\$ 8,838,985	\$ 1,564,615	\$ 17,326,129	\$ 3,650,180	\$ 6,967,008	\$ 12,667,624	\$ 51,014,541
Liabilities							
Accounts payable	\$ 1,135,705	\$ -	\$ 2,599,105	\$ -	\$ 13,382	\$ 23,572	\$ 3,771,764
Accrued liabilities	578,377	-	-	-	-	21,219	599,596
Unearned revenue	-	-	-	3,650,149	-	-	3,650,149
Escrow deposits	-	-	-	-	-	1,183,000	1,183,000
Due to other funds	-	6,894	-	-	-	-	6,894
Other liabilities	172,843	-	-	-	-	-	172,843
Total liabilities	1,886,925	6,894	2,599,105	3,650,149	13,382	1,227,791	9,384,246
Deferred Inflows of Resources							
Unavailable revenue – property taxes	64,027	49,209	-	-	-	-	113,236
Unavailable revenue – fines	41,744	-	-	-	-	-	41,744
Lease related	245,137	-	-	-	-	-	245,137
Total deferred inflows of resources	350,908	49,209	-	-	-	-	400,117
Fund Balances							
Restricted	-	1,508,512	14,727,024	31	6,953,626	11,288,596	34,477,789
Assigned	850,000	-	-	-	-	151,237	1,001,237
Unassigned	5,751,152	-	-	-	-	-	5,751,152
Total fund balances	6,601,152	1,508,512	14,727,024	31	6,953,626	11,439,833	41,230,178
Total liabilities, deferred inflows of resources and fund balances	\$ 8,838,985	\$ 1,564,615	\$ 17,326,129	\$ 3,650,180	\$ 6,967,008	\$ 12,667,624	\$ 51,014,541

City of Royse City, Texas
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
September 30, 2023

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

Total fund balance – governmental funds	\$	41,230,178
Capital and subscription assets \$54,009,525 net of accumulated depreciation/amortization of \$9,157,063, used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.		44,852,462
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings, and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.		
Deferred outflows – pension related		1,937,129
Deferred outflows – OPEB related		27,734
Deferred inflows – pension related		(5,040)
Deferred inflows – OPEB related		(63,885)
Total deferred outflows and inflows related to postemployment benefits		1,895,938
Internal service funds are used by management to charge the cost of technology and vehicle replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		2,292,123
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.		
Certificates of obligation and related premium		(10,525,367)
Bonds payable, net		(2,550,000)
Private placement – certificates of obligation		(24,005,000)
Subscription liabilities		(64,221)
Compensated absences		(508,804)
Accrued interest payable		(201,204)
Net pension liability		(3,183,554)
Total OPEB liability		(121,279)
Total long-term liabilities		(41,159,429)
Revenues in the statements of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.		154,980
Governmental funds report the effect of refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Deferred amount on refunding		19,712
Net position of governmental activities	\$	49,285,964

City of Royse City, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2023

	General Fund	Debt Service Fund	Bonds Capital Projects Fund	ARPA Grant Fund	General Capital/CIP Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues							
Taxes							
Property	\$ 6,063,959	\$ 4,615,910	\$ -	\$ -	\$ -	\$ 227,042	\$ 10,906,911
Franchise	686,974	-	-	-	-	-	686,974
Sales	5,307,870	-	-	-	-	-	5,307,870
Beverage	35,128	-	-	-	-	-	35,128
Hotel motel	-	-	-	-	-	116,467	116,467
Fines and forfeitures	565,181	-	-	-	-	64,995	630,176
Licenses and permits	1,918,418	-	-	-	-	-	1,918,418
Charges for services	1,524,831	-	-	-	-	-	1,524,831
Impact fees	-	-	-	-	-	631,429	631,429
Development fees	-	-	-	-	-	905,033	905,033
Contributions and donations	-	-	-	-	-	48,358	48,358
Intergovernmental	271,755	-	-	-	-	-	271,755
Investment income	700,352	198,014	1,308,387	31	34,670	202,106	2,443,560
Miscellaneous	16,850	-	-	-	-	306,738	323,588
Total revenues	17,091,318	4,813,924	1,308,387	31	34,670	2,502,168	25,750,498
Expenditures							
Current							
General government	4,092,358	-	-	-	-	352,294	4,444,652
Public safety	6,610,093	-	-	-	1,625	31,344	6,643,062
Public works	760,157	-	-	-	105,964	99,439	965,560
Community development	1,285,304	-	-	-	-	-	1,285,304
Culture and recreation	1,389,882	-	-	-	-	27,450	1,417,332
Debt service							
Principal	34,294	2,984,769	-	-	-	-	3,019,063
Interest	-	1,663,353	-	-	-	-	1,663,353
Capital outlay	1,161,073	-	13,544,657	-	299,810	-	15,005,540
Total expenditures	15,333,161	4,648,122	13,544,657	-	407,399	510,527	34,443,866
Excess (deficiency) of revenues over (under) expenditures	1,758,157	165,802	(12,236,270)	31	(372,729)	1,991,641	(8,693,368)
Other Financing Sources (Uses)							
Transfers in	431,953	-	-	-	740,000	-	1,171,953
Transfers out	(1,254,764)	-	(15,592)	-	-	(13,000)	(1,283,356)
Total other financing sources (uses)	(822,811)	-	(15,592)	-	740,000	(13,000)	(111,403)
Net Change in Fund Balances	935,346	165,802	(12,251,862)	31	367,271	1,978,641	(8,804,771)
Fund Balances, Beginning	5,665,806	1,342,710	26,978,886	-	6,586,355	9,461,192	50,034,949
Fund Balances, Ending	\$ 6,601,152	\$ 1,508,512	\$ 14,727,024	\$ 31	\$ 6,953,626	\$ 11,439,833	\$ 41,230,178

City of Royse City, Texas
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2023

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

Net change in fund balances – total governmental funds	\$	(8,804,771)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays of \$15,005,540 exceeded depreciation/amortization of \$1,247,905 in the current year.</p>		
		13,757,635
<p>Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This amount is the net change in deferred inflows of resources.</p>		
		(10,141)
<p>The assumption of debt initially recorded in the Water and Sewer fund does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.</p>		
		(630,000)
<p>Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Principal paid on long-term debt		3,019,063
<p>The internal service funds are used by management to charge the costs of technology and vehicle replacement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		457,434
<p>Some expenses reported in the statement of activities do/(do not) require the use of current financial resources and, therefore, are/(are not) reported as expenditures in the governmental funds.</p>		
Accrued interest on long-term debt	(46,391)	
Amortization of bond premiums and discounts	71,413	
Amortization of deferred amounts of refunding	(5,107)	
Compensated absences	(117,303)	
Changes in pension liabilities and related deferred outflows and inflows of resources	(140,905)	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	(14,601)	
	(252,894)	
Change in net position of governmental activities	\$	7,536,326

City of Royse City, Texas
Statement of Net Position – Proprietary Funds
September 30, 2023

	Enterprise Fund	Internal
	Water and	Service
	Sewer Fund	Funds
Assets		
Current Assets		
Cash and cash equivalents	\$ 15,518,752	\$ 2,337,474
Receivables (net of allowance for doubtful accounts)	2,193,196	-
Due from other governments	2,600,642	-
Restricted cash and cash equivalents	25,437,197	-
Total current assets	45,749,787	2,337,474
Capital and subscription assets		
Land	1,602,440	-
Buildings	39,551	-
Machinery and equipment	1,218,397	-
Infrastructure	32,861,172	-
Construction in progress	758,866	-
Subscription assets	118,318	-
Accumulated depreciation	(10,062,439)	-
Total noncurrent assets	26,536,305	-
Total assets	72,286,092	2,337,474
Deferred Outflows of Resources		
Deferred outflows of resources – Pension	293,610	-
Deferred outflows of resources – OPEB	4,204	-
Deferred loss on refunding	99,563	-
Total deferred outflows of resources	397,377	-
Accrued Liabilities		
Current Liabilities		
Accounts payable	1,530,856	45,351
Accrued liabilities	57,232	-
Accrued interest payable	7,053	-
Unearned revenue	619,479	-
Customer deposits	928,326	-
Compensated absences	2,423	-
Certificates of obligation – current	303,000	-
Bonds payable – current	910,992	-
Subscription liabilities	26,751	-
Total current liabilities	4,386,112	45,351
Noncurrent Liabilities		
Compensated absences	21,809	-
Certificates of obligation, net	7,761,000	-
Bonds payable, net	5,765,230	-
Subscription liabilities	27,956	-
Net pension liability	482,529	-
Total OPEB liability	18,382	-
Total noncurrent liabilities	14,076,906	-
Total liabilities	18,463,018	45,351
Deferred Inflows of Resources		
Deferred inflows of resources – Pension	764	-
Deferred inflows of resources – OPEB	9,683	-
Total deferred inflows of resources	10,447	-
Net Position		
Net investment in capital assets	20,340,529	-
Restricted for:		
Capital projects	3,250,000	-
Impact fees	15,253,397	-
Unrestricted	15,366,078	2,292,123
Total net position	\$ 54,210,004	\$ 2,292,123

City of Royse City, Texas
Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
For the Year Ended September 30, 2023

	Enterprise Fund	Internal
	Water and	Service
	Sewer Fund	Funds
Operating Revenues		
Charges for services – water	\$ 8,312,229	\$ -
Charges for services – sewer	5,286,595	-
Impact fees	1,969,425	-
Penalties	217,130	-
Miscellaneous	225,380	-
Total operating revenues	16,010,759	-
Operating Expenses		
Personnel services	1,168,210	-
Materials and supplies	195,126	-
Repairs and maintenance	894,946	-
Water purchases	2,890,389	-
Contractual services	199,584	-
Interceptor services	3,420,910	-
Depreciation	847,805	-
Other expense	-	88,046
Total operating expenses	9,616,970	88,046
Operating income (loss)	6,393,789	(88,046)
Nonoperating Revenues (Expenses)		
Intergovernmental	953,626	-
Investment earnings	1,389,894	10,600
Other	71,290	-
Assumption of debt by governmental activities	630,000	-
Insurance proceeds	-	23,477
Total nonoperating revenues (expenses)	3,044,810	34,077
Income (loss) before transfers	9,438,599	(53,969)
Transfers in	-	530,356
Transfers out	(400,000)	(18,953)
Change in Net Position	9,038,599	457,434
Net Position, Beginning	45,171,405	1,834,689
Net Position, Ending	\$ 54,210,004	\$ 2,292,123

City of Royse City, Texas
Statement of Cash Flows – Proprietary Funds
For the Year Ended September 30, 2023

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Sewer Fund</u>	<u>Internal Service Funds</u>
Operating Activities		
Receipts from customers and development	\$ 15,654,860	\$ -
Receipt of customer deposits	143,225	-
Payments to suppliers for goods and services	(6,457,894)	(93,018)
Payments to employees for salaries and benefits	(1,133,095)	-
Net cash provided by (used in) operating activities	<u>8,207,096</u>	<u>(93,018)</u>
Noncapital and Related Financing Activities		
Transfers from other funds	-	530,356
Transfers to other funds	(400,000)	(18,953)
Net cash provided by (used in) operating activities	<u>(400,000)</u>	<u>511,403</u>
Capital and Related Financing Activities		
Acquisition and construction of capital and subscription assets	(2,996,556)	-
Principal paid on capital and subscription debt	(554,444)	-
Interest and fiscal charges paid on capital and subscription debt	(63,326)	-
Other capital receipts	609,479	-
Insurance proceeds	-	23,477
Net cash used in capital and related financing activities	<u>(3,004,847)</u>	<u>23,477</u>
Investing Activities		
Interest on investments	1,389,894	10,600
Net cash provided by investing activities	<u>1,389,894</u>	<u>10,600</u>
Net increase in cash and cash equivalents	6,192,143	452,462
Cash and Cash Equivalents, Beginning of Year (Including \$23,872,428 Reported as Restricted Assets)	<u>34,763,806</u>	<u>1,885,012</u>
Cash and Cash Equivalents, End of Year (Including \$25,437,197 Reported as Restricted Assets)	<u>\$ 40,955,949</u>	<u>\$ 2,337,474</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by (Used In) Operating Activities		
Operating income (loss)	\$ 6,393,789	\$ (88,046)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	847,805	-
(Increases) decreases in assets and deferred outflows of resources:		
Accounts receivable and unbilled revenue	(355,899)	-
Deferred outflows of resources	(167,537)	-
Increases (decreases) in liabilities and deferred inflows of resources:		
Accounts payable	1,109,679	(4,972)
Accrued liabilities	33,382	-
Customer deposits	143,225	-
Compensated absences	11,545	-
Pension liability	282,712	-
OPEB liability	(6,836)	-
Deferred inflows of resources	(84,769)	-
Total adjustments	<u>1,813,307</u>	<u>(4,972)</u>
Net cash provided by (used in) operating activities	<u>\$ 8,207,096</u>	<u>\$ (93,018)</u>
Schedule of Non-cash Capital and Related Financing Activities		
Construction in progress payments in accounts payable	\$ 255,884	-

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Notes to Basic Financial Statements

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City of Royse City, Texas

Notes to Financial Statements

September 30, 2023

Note 1: Summary of Significant Accounting Policies

The City of Royse City, Texas (the “City”) is a municipal corporation governed by an elected mayor and a six-member council and provides the following services to the citizens of the City as authorized by its charter: public safety (police and fire), public works, parks and recreation, public services, water and wastewater utilities, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (“GAAP”) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Boards (GASB) and the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments – Audit and Accounting Guide*. The City’s significant accounting policies are described below:

Description of Government-wide Financial Statements

The government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from legally separate component unit for which the primary government is financially accountable.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and six-member Governing Council (Council). The accompanying financial statements present the government and its component unit, an entity for which the government 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. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit.

Discretely Presented Component Unit. The Royse City Community Development Corporation (“CDC”). The CDC is governed by a board of seven members, all of whom are appointed by the City Council of the City and whom can be removed from office by the City Council at its will. The CDC has the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The CDC incorporated in the state of Texas in 1998. The nature and significance of the relationship between the primary government and the CDC is such that exclusion would cause the City’s financial statements to be misleading or incomplete. Separate financial statements for CDC as of and for the year ended September 30, 2023 are not issued.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2023

Basis of Presentation

Government-wide Financial Statements

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

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a function category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operations requirements of a particular function or program, c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function) is normally covered by general revenue (property and sales taxes, franchise taxes, and interest income).

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its internal service 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 operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other funds are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The *Bonds Capital Projects Fund* is used to account for the City's funds received through the sale of general obligation bonds for the acquisition or construction of general major capital facilities.

The *ARPA Grant Fund* is used to account for the collection of ARPA funds and recognize intergovernmental revenues and eligible expenditures.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2023

The *General Capital/CIP Fund* is used to account for the accumulation of resources for the acquisition or construction of general major capital assets. This fund is designated as a major fund.

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position and cash flows, which is similar to businesses.

The City reports the following major business-type fund:

The *Water and Sewer Fund* is used to account for the operations of the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems, as well as the accumulation of resources for the development of land.

Additionally, the City reports the following fund types:

The nonmajor *Special Revenue Funds* and nonmajor *Capital Projects Funds* are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Internal Service Funds – Technology Replacement, Vehicle Replacement, Risk Management* – are used to account for funding vehicle, equipment, IT capital purchases, and claims management with transfers from the operating funds.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Measurement Focus, 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 recognition in the financial statements of various kinds of transactions or events.

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

City of Royse City, Texas

Notes to Financial Statements

September 30, 2023

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and 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 principal and interest expenditures on general long-term debt, as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and financing through 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Budgetary Policy and Control

The City adopts an “appropriated budget” of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data:

- Public hearings are conducted to obtain taxpayer comments.
- The operating budget for the fiscal year is legally enacted through passage of an ordinance prior to October 1.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore, the fund level is the legal level of control.

Budgets for the General Fund, Debt Service Fund, Bonds Capital Projects Fund and certain Special Revenue Funds are legally adopted on a basis consistent with generally accepted accounting principles.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2023

The City did not adopt budgets for certain Special Revenue Funds. These unbudgeted Special Revenue Funds were as follows:

- Jury Fund
- Library Grant
- Library Donations
- ARPA Grant
- Battle of the Badges
- Union Square Public Improvement District
- Waterscape Public Improvement District
- Special Escrow
- Animal Shelter New Building Fund
- Waterscape TIRZ

General Capital/CIP Fund and Nonmajor Capital Project Funds are not budgeted since project length financial plans usually extend into two or more fiscal years, making comparisons misleading.

Budgeted amounts are as originally adopted or as amended by the City Council. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.

Assets, Liabilities, Deferred Outflow/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the City's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments held by the City that have a remaining maturity of greater than one year from purchase are carried at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

All investments are recorded at fair value based on quoted market prices, except for investment pools, which are recorded at net asset value (NAV). NAV approximates fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Restricted assets in the proprietary fund represent cash and cash equivalents and investments set aside for capital projects, customer deposits, and impact fees.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

Impact fees are the capital recovery fees that are, by law, restricted to the project these funds may be used to support.

Customer’s deposits received for water and sewer services are, by law, to be considered restricted assets. These activities are included in the proprietary fund.

Business-type Activities

Capital projects	\$	12,005,474
Impact fees		12,503,397
Customer deposits		928,326
 Total Restricted Assets	 \$	 25,437,197

Lease Receivable

The City and the CDC are lessors for noncancellable leases related to cellular towers and building space. The City and CDC recognize a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

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

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

- The City uses the lessee’s rate, or the rate disclosed in the agreement. If the rate is not readily available, the City uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

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

<u>Capital Asset Class</u>	<u>Lives (in Years)</u>
Buildings and improvements	7 – 50
System infrastructure	20 – 40
Vehicles	4 – 20
Office furniture and equipment	5
Machinery and equipment	10

Subscription Assets

Subscription assets with an initial cost of more than \$5,000 are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Unearned Revenue

In the governmental activities and ARPA Grant Fund, unearned revenue of \$3,650,149 represents intergovernmental monies received in advance as part of the COVID-19-Coronavirus State and Local Fiscal Recovery Funds program during fiscal year 2023 and 2022. The City did not spend any of these funds as of September 30, 2023 and will recognize revenue as qualifying expenses are incurred.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2023

Escrow Deposits

The City collects and holds money from approved developer agreements and other private construction commitments assessed during the permitting process. The escrow deposits are either refunded once the developer has completely fulfilled their commitment or applied to revenue to reimburse for the City's cost in completing the obligation.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused paid time off (PTO) and overtime not paid (compensation time). The City's policy permits pay to a separating employee with at least six months of continuous service unused vacation leave not to exceed 120 hours. The City's policy also permits sick leave pay to a separating employee with five years of service with the City and eligibility to retire with TMRS. A separating employee that meets the criteria for sick leave pay may receive 25 percent of the available sick leave balance. The rate of pay will be determined by the salary rate in effect at the time of separation. As such, there is an accrual for all PTO that meets the aforementioned thresholds at the close of the fiscal year end in the government-wide and proprietary fund financial statements.

Long-term Debt

In the government-wide financial statements, and proprietary funds 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. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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, are reported as debt service expenditures.

Subscription Liability

The City contracts for noncancellable subscriptions of information technology software. The City recognizes a subscription liability and an intangible subscription asset (subscription asset) in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a subscription, the City measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2023

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

- The City uses the interest rate charged by the subscription-based information technology arrangement (SBITA) vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

Subscription assets are reported with capital, lease and subscription assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

Pensions

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

Defined Benefit Other Postemployment Benefits

The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF), which is an optional single-employer defined benefit life insurance plan that is administered by TMRS. It provides death benefits to active and, if elected, retired employees of participating employers. Contribution rates are determined annually for each participating municipality as a percentage of that City's covered payroll. The death benefit for retirees is considered another postemployment benefit (OPEB). The OPEB program is an unfunded trust because the SDBF trust covers both actives and retirees and is not segregated. The Total OPEB Liability of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Total OPEB Liability, deferred inflows and outflows of resources, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2023

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of net pension liability or total OPEB liability) until then.

The City has the following items that qualify for reporting in this category:

- Pension contributions after measurement date – These contributions are deferred and recognized as a reduction of the pension liability or increase in pension asset in the subsequent fiscal year end.
- Difference in expected and actual experience – pension and OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in assumption changes – pension and OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the pension and OPEB plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred.
- Difference in projected and actual earnings on pension plan investments – This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- Deferred charges on refunding – A deferred charge refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue/increase of net pension liability or total OPEB liability) until that time. The City has the following items that qualify for reporting in this category:

- Difference in expected and actual experience – pension and OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the pension and OPEB plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the pension and OPEB plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2023

- Unavailable revenue – This arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and forfeitures.
- Leases – Represents the initial value of the lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease. This deferred inflow is recorded at both the fund level and government-wide financial statements.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources of governmental and business-type activities and proprietary funds. The government-wide and proprietary fund financials utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- Net Investment in Capital Assets – This amount consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt, that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted Net Position – This amount is restricted by external parties such as creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- 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.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2023

Fund Balance Policies and Classifications

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which amount in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either: (a) not in spendable form or (b) are legally or contractually required to remain intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either: (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action (ordinance) by the highest level of decision-making authority, namely the City Council, prior to the end of the reporting period. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of formal action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City management based on the City Council's direction.
- **Unassigned:** This classification represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned, to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

When both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance) are available for specified expenditures, 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 unassigned fund balance. Further, when the components of unassigned 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.

The City has established a formal policy to maintain a minimum reserve balance for the General Fund equal to 25 percent of budgeted expenditures. As of September 30, 2023, the City was in compliance with this policy as unassigned fund balance in the General Fund was equal to 38 percent of current year expenditures.

	General Fund	Debt Service	Capital Projects Fund	ARPA Grant Fund	General Capital/CIP Fund	Nonmajor Governmental Funds
Restricted for						
Debt service	\$ -	\$ 1,508,512	\$ -	\$ -	\$ -	\$ -
Capital projects	-	-	14,727,024	31	6,953,626	4,441,864
Roadway fees	-	-	-	-	-	3,759,204
Police	-	-	-	-	-	26,902
Municipal court use	-	-	-	-	-	138,857
Hotel motel use	-	-	-	-	-	355,674
Public improvement	-	-	-	-	-	1,484,087
Community development	-	-	-	-	-	1,082,008
Assigned						
General government	850,000	-	-	-	-	-
Senior center	-	-	-	-	-	6,732
Parks and recreation	-	-	-	-	-	31,203
Public safety	-	-	-	-	-	6,870
Public works	-	-	-	-	-	59,667
Animal control	-	-	-	-	-	46,765
Unassigned	5,751,152	-	-	-	-	-
Total	<u>\$ 6,601,152</u>	<u>\$ 1,508,512</u>	<u>\$ 14,727,024</u>	<u>\$ 31</u>	<u>\$ 6,953,626</u>	<u>\$ 11,439,833</u>

Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single “Transfers” line on the government-wide Statements of Activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City’s management to make estimates and assumptions that affect reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results may differ from those estimates.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2023

Program and General 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.

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 fund and sewer fund and internal service funds 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 enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Adoption of New Accounting Standards

During fiscal year 2023, the City adopted the following GASB standards:

GASB Statement No. 91, *Conduit Debt Obligations*. This standard clarifies the definition of conduit debt and provides a single method of reporting these obligations (disclosure only). This standard provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The adoption of this standard had no impact on the City.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard addresses the gap in current accounting guidance related to public-private and public-public partnerships (both referred to as PPPs) that do not meet the definition of a service concession arrangement. The adoption of this standard had no impact on the City.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of this standard establishes a single model for subscription-based information technology arrangements (SBITAs) accounting based on the principle that contracts are financings of the right to use an underlying information technology software asset. The standard requires recognition of certain right-to-use subscription assets and subscription liabilities.

As a result of implementing this standard the City recognized right-to-use subscription assets and liabilities. The adoption of this standard had no impact on beginning net position. The additional disclosures required by this standard are included in *Note 6* and *Note 7*.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

Future Financial Reporting Requirements

The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2023. The City will evaluate the potential impact on the City's net position.

Statement No.	Title	Adoption Required
100	<i>Accounting for Changes and Error Correction</i>	September 30, 2024
101	<i>Compensated Absences</i>	September 30, 2025
102	<i>Certain Risk Disclosures</i>	September 30, 2025

Note 2: Deposits and Investments

The City's funds (including the funds of its component unit) are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash and Cash Equivalents

At September 30, 2023, the carrying amount of the City's deposits (cash and interest-bearing savings accounts) was \$24,784,091 and the bank balances totaled \$24,435,083. At September 30, 2023, the carrying amount of the Corporation's cash and cash equivalents was \$5,133,361 and the bank balances totaled \$4,706,372.

Custodial Credit Risk

There is risk that, in the event of a bank failure, the City's deposits may not be returned. Both the City's investment policy and the Texas Public Funds Investment Act requires that all deposits of the City that exceed the Federal Depository Insurance Corporation (FDIC) coverage levels are collateralized with securities held by a third-party custodian in the City's name. As of September 30, 2023, the value of the City's deposits and investments not insured through the FDIC have been fully collateralized and meet the requirements of the City's policy and state statutes.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2023

Investments

The City's investment policies are governed by state statutes. The City's investment policies further limit state statutes such that eligible investments include the following:

1. Obligations of the United States or its agencies and instrumentalities with a maximum maturity of not greater than five years.
2. Direct obligations of the state of Texas or its agencies and instrumentalities.
3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the state or the United States of America or its agencies and instrumentalities.
4. Obligations of states, agencies, counties, cities, and other political subdivisions or any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.
5. Pooled investments with other government entities as authorized by the *Interlocal Cooperation Act*.

Investment Pools

During the year, the City invested in public fund investment pools, including LOGIC. LOGIC's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the fund or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pool is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. Offers same day access to investment funds. The City can liquidate funds daily without penalty and there is no unfunded commitment.

Following the pool criteria for GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, LOGIC uses NAV to value portfolio assets. As is legally permissible for municipalities and school districts in the state, LOGIC invests in a high-quality portfolio of short-term investments. Investments in the pool is considered to be cash equivalents when preparing these financial statements.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in the market interest rates. In accordance with its investment policy, the City manages its exposure to declines in fair market values by investing mainly in investment pools which purchase a combination of short-term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

Credit Risk

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. The City’s investment policy requires that investment pools be continuously rated no lower than “AAA” or “AAA-m” or an equivalent rating by at least one nationally recognized rating service.

Fair Value of Investments

As of September 30, 2023, the City had the following investments:

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at net asset value – LOGIC	\$ 67,530,516	\$ -	\$ -	\$ -
Total investments	<u>\$ 67,530,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The City categorizes its fair value measurements within the fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1** Quoted prices for identical investments in active markets;
- Level 2** Observable inputs other than those in Level 1;
- Level 3** Unobservable inputs.

As of September 30, 2023, the City did not invest in any securities which are highly sensitive to interest rate fluctuations. Investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

Note 3: Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100 percent for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property tax estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. If a city with a population of less than 30,000 adopts a tax rate that exceeds the greater of the city’s voter-approval tax rate or the de minimis tax rate, the city council must order an election to approve the adopted tax rate for the November uniform election date.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2023, the City had a tax rate of \$0.60500 per \$100 assessed valuation based upon the maximum rates described above. Allocations of property tax levy by purpose for 2023 are as follows (amounts per \$100 assessed value):

Fund Type	2023
General Fund	\$ 0.34350
Debt Service Fund	0.26150
Total	\$ 0.60500

Note 4: Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for doubtful accounts) line for certain funds and aggregated columns. The detail of receivables for the general fund, debt service fund, nonmajor governmental funds, and water and sewer fund including the applicable allowances for uncollectible accounts, as of September 30, 2023, are as follows:

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Total
Receivables:					
Ad valorem taxes	\$ 92,270	\$ 70,244	\$ -	\$ -	\$ 162,514
Sales taxes	1,014,824	-	-	-	1,014,824
Court fines	400,453	-	-	-	400,453
Charges for services	-	-	-	2,610,764	2,610,764
Other	480,974	-	9,039	-	490,013
Gross receivables	<u>1,988,521</u>	<u>70,244</u>	<u>9,039</u>	<u>2,610,764</u>	<u>4,678,568</u>
Less: allowance for doubtful accounts	<u>(319,751)</u>	<u>(14,777)</u>	<u>-</u>	<u>(417,568)</u>	<u>(752,096)</u>
Net receivables	<u>\$ 1,668,770</u>	<u>\$ 55,467</u>	<u>\$ 9,039</u>	<u>\$ 2,193,196</u>	<u>\$ 3,926,472</u>

Note 5: Lease Receivable

The City and the CDC leases a portion of its property to various cell phone companies and businesses who use the space to conduct their operations, the terms of which expire 2027 through 2035. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

The City recognized \$20,428 in lease revenue and \$9,153 in interest revenue during the current fiscal year related to these leases. As of September 30, 2023, the City's receivable for lease payments was \$252,451. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2023, the balance of the deferred inflow of resources was \$245,137.

The CDC recognized \$16,448 in lease revenue and \$3,429 in interest revenue during the current fiscal year related to these leases. As of September 30, 2023, the CDC's receivable for lease payments was \$188,399. Also, the CDC has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2023, the balance of the deferred inflow of resources was \$179,756.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

The following is a schedule by year of minimum payments to be received under the City's and CDC's leases that are included in the measurement of the lease receivable as of September 30, 2023:

Year Ending September 30,	Principal	Interest	Receipts
2024	\$ 61,901	\$ 14,293	\$ 76,194
2025	64,097	12,097	76,194
2026	66,372	9,822	76,194
2027	68,727	7,467	76,194
2028	19,819	5,975	25,794
2029-2033	110,181	18,789	128,970
2034-2035	49,753	1,834	51,587
Totals	\$ 440,850	\$ 70,277	\$ 511,127

Note 6: Capital and Subscription Assets

Capital and subscription asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance *	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 2,475,648	\$ 356,627	\$ -	\$ -	\$ 2,832,275
Construction in progress	510,269	13,440,453	-	-	13,950,722
Total capital assets not being depreciated	2,985,917	13,797,080	-	-	16,782,997
Capital and subscription assets being depreciated/amortized:					
Buildings and improvements	30,015,909	402,190	-	-	30,418,099
Machinery and equipment	1,311,682	182,785	-	-	1,494,467
Vehicles	4,591,962	582,942	-	-	5,174,904
Subscription assets	98,515	40,543	-	-	139,058
Totals capital and subscription assets being depreciated/amortized	36,018,068	1,208,460	-	-	37,226,528
Less accumulated depreciation/amortization for:					
Buildings and improvements	(4,343,111)	(738,611)	-	-	(5,081,722)
Machinery and equipment	(1,009,183)	(78,218)	-	-	(1,087,401)
Vehicles	(2,556,864)	(398,232)	-	-	(2,955,096)
Subscription assets	-	(32,844)	-	-	(32,844)
Total accumulated depreciation/amortization	(7,909,158)	(1,247,905)	-	-	(9,157,063)
Total capital and subscription assets, net	\$ 31,094,827	\$ 13,757,635	\$ -	\$ -	\$ 44,852,462

* Beginning Balance has been restated for GASB 96

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

	Beginning Balance *	Increases	Decreases	Transfers	Ending Balance
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 1,553,001	\$ 49,439	\$ -	\$ -	\$ 1,602,440
Construction in progress	2,322,032	1,037,476	-	(2,600,642)	758,866
Total capital assets not being depreciated	3,875,033	1,086,915	-	(2,600,642)	2,361,306
Capital and subscription assets being depreciated/amortized:					
Buildings and improvements	39,551	-	-	-	39,551
Water and sewer system	28,896,956	1,363,574	-	2,600,642	32,861,172
Machinery and equipment	664,160	554,237	-	-	1,218,397
Subscription assets	83,920	34,398	-	-	118,318
Totals capital and subscription assets being depreciated/amortized	29,684,587	1,952,209	-	2,600,642	34,237,438
Less accumulated depreciation/amortization for:					
Buildings and improvements	(39,551)	-	-	-	(39,551)
Water and sewer system	(8,591,078)	(771,977)	-	-	(9,363,055)
Machinery and equipment	(584,005)	(47,856)	-	-	(631,861)
Subscription assets	-	(27,972)	-	-	(27,972)
Total accumulated depreciation/amortization	(9,214,634)	(847,805)	-	-	(10,062,439)
Total capital and subscription assets, net	\$ 24,344,986	\$ 2,191,319	\$ -	\$ -	\$ 26,536,305

* Beginning Balance has been restated for GASB 96

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component Unit					
Capital assets not being depreciated:					
Land	\$ 981,698	\$ -	\$ -	\$ -	\$ 981,698
Construction in progress	104,735	229,793	-	(83,848)	250,680
Total capital assets not being depreciated	1,086,433	229,793	-	(83,848)	1,232,378
Capital assets being depreciated:					
Buildings and improvements	181,100	-	-	83,848	264,948
Totals capital assets being depreciated	181,100	-	-	83,848	264,948
Less accumulated depreciation for:					
Buildings and improvements	(148,502)	(4,460)	-	-	(152,962)
Total accumulated depreciation	(148,502)	(4,460)	-	-	(152,962)
Total capital assets, net	\$ 1,119,031	\$ 225,333	\$ -	\$ -	\$ 1,344,364

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

Depreciation expense was charged to functions/programs of the primary government and the component unit as follows:

Governmental Activities	
General Government	\$ 134,136
Public Safety	524,998
Public Works	495,352
Community Development	5,764
Culture and Recreation	<u>87,655</u>
Total depreciation/amortization expense – governmental activities	<u><u>\$ 1,247,905</u></u>
Business-type Activities	
Water and Sewer	<u>\$ 847,805</u>
Total depreciation/amortization expense – business-type activities	<u><u>\$ 847,805</u></u>
Component Unit	
Royse City Community Development Corporation	<u>\$ 4,460</u>
Total depreciation expense – component unit	<u><u>\$ 4,460</u></u>

Construction Commitments

Outstanding commitments at September 30, 2023, under authorized construction contracts were approximately \$13,321,724. The outstanding commitments for the projects were funded primarily from bond proceeds and capital project funds.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

Note 7: Long-term Debt

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2023, is as follows:

	Beginning Balance*	Additions	Reductions	Transfers	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds	\$ 3,019,769	\$ -	\$ (1,099,769)	\$ 630,000	\$ 2,550,000	\$ 573,143
Certificates of obligation	10,626,000	-	(770,000)	-	9,856,000	707,000
Private placement debt	25,120,000	-	(1,115,000)	-	24,005,000	1,105,000
Total	38,765,769	-	(2,984,769)	630,000	36,411,000	2,385,143
Premium on bonds	740,780	-	(71,413)	-	669,367	71,413
Total bonds payable	39,506,549	-	(3,056,182)	630,000	37,080,367	2,456,556
Subscription liabilities	98,515	-	(34,294)	-	64,221	31,404
Compensated absences	391,501	403,564	(286,261)	-	508,804	50,880
Governmental activity long-term liability	<u>\$ 39,996,565</u>	<u>\$ 403,564</u>	<u>\$ (3,376,737)</u>	<u>\$ 630,000</u>	<u>\$ 37,653,392</u>	<u>\$ 2,538,840</u>
Business-type Activities						
General obligation bonds	\$ 6,370,231	\$ -	\$ (235,231)	\$ (630,000)	\$ 5,505,000	\$ 811,857
Certificates of obligation	8,354,000	-	(290,000)	-	8,064,000	303,000
Total	14,724,231	-	(525,231)	(630,000)	13,569,000	1,114,857
Premium on bonds	1,270,357	-	(99,135)	-	1,171,222	99,135
Total bonds payable	15,994,588	-	(624,366)	(630,000)	14,740,222	1,213,992
Subscription liabilities	83,920	-	(29,213)	-	54,707	26,751
Compensated absences	12,687	22,494	(10,949)	-	24,232	2,423
Total business-type activities	<u>\$ 16,091,195</u>	<u>\$ (664,528)</u>	<u>\$ (664,528)</u>	<u>\$ (630,000)</u>	<u>\$ 14,819,161</u>	<u>\$ 1,243,166</u>
* Beginning Balance has been restated for GASB 96						
Component Unit						
Compensated absences	<u>\$ 6,523</u>	<u>\$ 6,237</u>	<u>\$ (6,034)</u>	<u>\$ -</u>	<u>\$ 6,726</u>	<u>\$ 673</u>

Compensated absences represent the estimated liability for employees accrued paid time off and compensation time for which employees are entitled to be paid upon termination. Governmental compensated absences are liquidated by the General Fund and business-type compensated absences are liquidated by the Water and Sewer Fund, based on the assignment of an employee at date of termination.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

Changes in Governmental Long-Term Debt

	Interest Rate Payable	Original Amounts Issued	Amounts Outstanding			Transfers	Amounts Outstanding		Due Within One Year
			September 30, 2022	Issued	Retired/Refunded		September 30, 2023		
2017 GO Refunding	1-4%	\$ 4,675,000	\$ 2,735,000	\$ -	\$ (815,000)	\$ 370,000	\$ 2,290,000	\$ 545,000	
2020 GO Refunding	2-5%	340,101	284,769	-	(284,769)	260,000	260,000	28,143	
2016 Certificates of Obligation	2-3%	1,915,000	1,035,000	-	(145,000)	-	890,000	150,000	
2017 Certificates of Obligation	3.05%	3,190,000	2,386,000	-	(120,000)	-	2,266,000	127,000	
2018 Certificates of Obligation	3-4%	3,265,000	2,295,000	-	(185,000)	-	2,110,000	190,000	
2019 Certificates of Obligation	2-4%	5,005,000	4,485,000	-	(200,000)	-	4,285,000	205,000	
2020 Certificates of Obligation	2-5%	660,000	425,000	-	(120,000)	-	305,000	35,000	
2022 Certificates of Obligation	3.29%	25,120,000	25,120,000	-	(1,115,000)	-	24,005,000	1,105,000	
Total bonds payable		\$ 44,170,101	\$ 38,765,769	\$ -	\$ (2,984,769)	\$ 630,000	\$ 36,411,000	\$ 2,385,143	

A description of each debt series follows:

\$4,675,000 General Obligation Refunding Bonds, Series 2017, issued for the purpose of refunding a portion of the City’s outstanding debt.

\$340,101 General Obligation Refunding Bonds, Series 2020, issued for the purpose of refunding a portion of the City’s outstanding debt.

\$1,915,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2016, issued for the purpose of (i) constructing, reconstructing and improving streets, roads, sidewalks and alleys; (ii) constructing, acquiring, installing and equipping improvements to the City’s waterworks and sewer system; and (iii) acquisition of vehicles and equipment for the public works department.

\$3,190,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2017, issued for the purpose of (i) constructing, reconstructing and improving streets, roads, sidewalks and alleys; (ii) acquisition of vehicles and equipment for the police, fire, building inspections, public works and parks departments, (iii) purchase of land sites for future municipal complex; and (iv) constructing, acquiring, installing and equipping improvements to the City’s waterworks and sewer system.

\$3,265,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2018, issued for the purpose of (i) constructing, reconstructing and improving streets, roads, sidewalks and alleys; (ii) acquisition of vehicles and equipment for the fire department, police department and parks department (iii) purchase of land sites for future municipal complex; (iv) park improvements, including a new restroom facility; and (v) renovating and improving existing police and courts building and city hall building.

City of Royse City, Texas
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\$5,005,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2019, issued for the purpose of constructing, acquiring, improving and equipping public safety buildings and facilities, including buildings and facilities for fire department, with any surplus proceeds to be used for buildings and facility planning for the police department.

\$660,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2020, issued for the purpose of (i) improvements to the City’s waterworks and sewer system; and (ii) acquiring vehicles and equipment for the fire department, police department, parks and recreation department, and public works department.

\$25,120,000 Private Placement Combination Tax and Revenue Certificates of Obligation Bonds, Series 2022, issued for the purpose of (i) acquiring, constructing, and equipping a police station; (ii) constructing, reconstructing and improving sidewalks, streets and roads, and the acquisition of land and interests in land; (iii) and acquiring, constructing, installing, and equipping additions, improvements, extensions, and equipment for waterworks and sewer system. The certificate of obligation pays principal and interest semiannually on February 15 and August 15, at an interest rate of 3.29%.

Long-term debt services requirements are as follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2024	\$ 2,385,143	\$ 1,210,774	\$ 3,595,917
2025	2,277,574	1,131,341	3,408,915
2026	2,360,528	1,048,288	3,408,816
2027	2,325,482	965,947	3,291,429
2028	1,780,333	882,323	2,662,656
2029-2033	8,872,940	3,540,661	12,413,601
2034-2038	9,834,000	2,039,087	11,873,087
2039-2042	<u>6,575,000</u>	<u>534,644</u>	<u>7,109,644</u>
Totals	<u>\$ 36,411,000</u>	<u>\$ 11,353,065</u>	<u>\$ 47,764,065</u>

City of Royse City, Texas
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Changes in Business-Type Long-Term Debt

	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30,			Transfers	Amounts Outstanding September 30,		Due Within One Year
			2022	Issued	Retired		2023		
2014 GO Refunding Bonds	1.5-3.5%	\$ 4,695,000	\$ 2,025,000	\$ -	\$ (230,000)	\$ -	\$ 1,795,000	\$ 245,000	
2017 GO Refunding Bonds	3.05-4%	2,970,000	1,645,000	-	(5,000)	(370,000)	1,270,000	300,000	
2020 GO Refunding Bonds	3.05-4%	3,224,899	2,700,231	-	(231)	(260,000)	2,440,000	266,857	
2016 Certificates of Obligation	2-3%	575,000	430,000	-	(25,000)	-	405,000	25,000	
2017 Certificates of Obligation	3.00%	1,460,000	1,189,000	-	(60,000)	-	1,129,000	63,000	
2020 Certificates of Obligation	2-5%	6,930,000	6,735,000	-	(205,000)	-	6,530,000	215,000	
Total bonds payable		\$ 19,854,899	\$ 14,724,231	\$ -	\$ (525,231)	\$ (630,000)	\$ 13,569,000	\$ 1,114,857	

A description of the debt series follows:

\$4,695,000 General Obligation Refunding Bonds, Series 2014, issued for the purpose of refunding a portion of the City’s outstanding debt.

\$2,970,000 General Obligation Refunding Bonds, Series 2017, issued for the purpose of refunding a portion of the City’s outstanding debt.

\$3,224,899 General Obligation Refunding Bonds, Series 2020, issued for the purpose of refunding a portion of the City’s outstanding debt.

\$575,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2016, issued for the purpose of (i) constructing, reconstructing and improving streets, roads, sidewalks and alleys; (ii) constructing, acquiring, installing and equipping improvements to the City’s waterworks and sewer system; and (iii) acquisition of vehicles and equipment for the public works department.

\$1,460,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2017, issued for the purpose of (i) constructing, reconstructing and improving streets, roads, sidewalks and alleys; (ii) acquisition of vehicles and equipment for the police, fire, building inspections, public works and parks departments, (iii) purchase of land sites for future municipal complex; and (iv) constructing, acquiring, installing and equipping improvements to the City’s waterworks and sewer system.

\$6,930,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2020, issued for the purpose of (i) improvements to the City’s waterworks and sewer system; and (ii) acquiring vehicles and equipment for the fire department, police department, parks and recreation department, and public works department.

City of Royse City, Texas
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Long-term debt service requirements are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2024	\$ 1,114,857	\$ 455,281	\$ 1,563,130
2025	1,162,426	414,609	1,570,138
2026	1,199,472	368,493	1,577,035
2027	1,244,518	320,927	1,567,965
2028	944,667	272,108	1,565,445
2029-2033	3,502,060	836,749	4,947,359
2034-2038	2,001,000	393,640	2,685,284
2039-2043	1,680,000	191,563	1,876,226
2044-2045	<u>720,000</u>	<u>24,407</u>	<u>1,118,488</u>
Totals	<u>\$ 13,569,000</u>	<u>\$ 3,277,777</u>	<u>\$ 18,471,071</u>

A portion of Water and Sewer’s interest expense was paid by Debt Service Fund in fiscal year 2023.

Subscription Liabilities

The City has subscription IT arrangements to conduct its operations, the terms of which expire in 2025. The measurement of the subscription liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any subscription incentives payable.

An initial subscription liability was recorded in the amount of \$98,515 and \$83,920 in the governmental activities and business-type activities, respectively, during fiscal year 2023. As of September 30, 2023, the value of the subscription liabilities was \$64,221 and \$54,707 in the governmental activities and business-type activities, respectively. An incremental borrowing rate of 4.5000 percent was used to measure subscription liabilities. The value of the right-to-use subscription assets as of September 30, 2023, was \$139,508 and had accumulated amortization of \$32,844 in the governmental activities. The value of the right-to-use subscription assets as of September 30, 2023, was \$118,318 and had accumulated amortization of \$27,972 in the business-type activities.

City of Royse City, Texas
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The future principal and interest payments for subscription liabilities as of September 30, 2023, are as follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2024	\$ 31,404	\$ 2,890	\$ 34,294
2025	<u>32,817</u>	<u>1,477</u>	<u>34,294</u>
Totals	<u>\$ 64,221</u>	<u>\$ 4,367</u>	<u>\$ 68,588</u>

Year Ending September 30,	Principal	Interest	Total Requirements
2024	\$ 26,751	\$ 2,462	\$ 29,213
2025	<u>27,956</u>	<u>1,257</u>	<u>29,213</u>
Totals	<u>\$ 54,707</u>	<u>\$ 3,719</u>	<u>\$ 58,426</u>

Note 8: Defined Benefit Pension Plan

Plan Description

The City of Royse City participates as one of 921 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

City of Royse City, Texas
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Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the Member’s benefit is calculated as of the sum of the Member’s contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the total Member contributions and interest.

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	73
Active employees	101
	205

Contributions

Member contribution rates in TMRS are either 5 percent, 6 percent, or 7 percent of the Member’s total compensation, and the City matching percentages are either 100 percent, 150 percent, or 200 percent, 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 City’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7 percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.79 percent and 15.60 percent in calendar years 2022 and 2023, respectively. The City’s contributions to TMRS for the year ended September 30, 2023, were \$1,248,062 and were equal to the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

City of Royse City, Texas

Notes to Financial Statements

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Actuarial Assumptions

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% 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 are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for 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 are used with a 4 year set-forward for males and a 3-year set-forward for females. In addition, a 3.5 percent and 3.0 percent 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).

City of Royse City, Texas
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The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at October 1, 2022	\$ 14,892,912	\$ 13,325,717	\$ 1,567,195
Changes for the year:			
Service cost	1,307,363	-	1,307,363
Interest	1,034,465	-	1,034,465
Change of benefit terms	-	-	-
Difference between expected and actual experience	439,265	-	439,265
Changes of assumptions	-	-	-
Contributions – employer	-	1,066,284	(1,066,284)
Contributions – employee	-	472,703	(472,703)
Net investment income	-	(976,864)	976,864
Benefit payments, including refunds of employee contributions	(442,368)	(442,368)	-
Administrative expense	-	(8,417)	8,417
Other changes	-	10,044	(10,044)
Net changes	<u>2,338,725</u>	<u>121,382</u>	<u>2,217,343</u>
Balance at September 30, 2023	<u>\$ 17,231,637</u>	<u>\$ 13,447,099</u>	<u>\$ 3,784,538</u>
Proportionate share and net pension liability reporting in:			
Primary Government		96.87%	\$ 3,666,083
Royse City Community Development Corporation		3.13%	118,455
Total		<u>100%</u>	<u>\$ 3,784,538</u>

City of Royse City, Texas
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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
\$ 6,715,720	\$ 3,784,538	\$ 1,427,908

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmr.com.

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

For the year ended September 30, 2023, the City and its component unit recognized pension expense of \$1,415,567.

At September 30, 2023, the City and its component unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 451,114	\$ 5,991
Changes in actuarial assumptions	8,037	-
Difference between projected and actual investment earnings	925,762	-
Contributions subsequent to the measurement date	917,903	-
Total	\$ 2,302,816	\$ 5,991

City of Royse City, Texas
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\$736,125 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a decrease in the Net Pension Liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024		\$	286,968
2025			342,421
2026			336,154
2027			413,379
Total		\$	1,378,922

Allocation of Pension Items

The City allocates pension items between governmental activities, business-type activities, and its component unit on the basis of employee payroll funding. For the governmental activities, the general fund is responsible for the contributions. For the business type activities, the Water and Sewer fund is responsible for the contributions.

Note 9: Postemployment Benefits Other Than Pensions

Plan Description

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (*i.e.*, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75).

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of \$7,500.

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Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	13
Active employees	101
Total	132

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's total SBDF contribution rates were 0.24 percent and 0.14 percent for calendar year 2023 and 2022, respectively. The retiree portion of the total SBDF contribution rates for the City were 0.06 percent and 0.05 percent in calendar year 2023 and 2022, respectively.

The City's contributions to the SDBF for the years ended September 30, 2023 and 2022 were \$17,049 and \$8,915, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Measurement Year Ended December 31, 2022

Inflation rate	2.50% per year
Discount rate	4.05% as of December 31, 2022 (1.84% as of December 31, 2021)
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.50% including inflation

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Mortality rates for retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Based on the size of the City, rates are multiplied by an additional factor of 100.0 percent, which adds an additional layer of conservatism. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements.

For disabled annuitants, the mortality tables for healthy retirees is used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5 percent and 3 percent 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.

Discount Rate

The discount rate used to measure the Total OPEB Liability as of December 31, 2022, was 4.05 percent, compared to 1.84 percent as of December 31, 2021. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of the measurement date of December 31, 2022.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at October 1, 2022	\$ 197,789
Changes for the year:	
Service cost	20,934
Interest	3,801
Difference between expected and actual experience	2,090
Changes of assumptions	(77,064)
Benefit payments	(3,376)
Net changes	(53,615)
Balance at September 30, 2023	\$ 144,174

City of Royse City, Texas
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Proportionate share and net pension liability reporting in:

Primary Government	96.87%	\$	139,661
Royse City Community Development Corporation	3.13%		4,513
	100%	\$	144,174
Total			144,174

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

The following presents the total OPEB liability of the City and its component unit, calculated using the discount rate of 4.05 percent, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05 percent) or 1-percentage-point higher (5.05 percent) than the current rate:

	1% Decrease in Discount Rate (3.05%)	Current Discount Rate (4.05%) Assumption	1% Increase in Discount Rate (5.05%)
Total OPEB liability	\$ 173,407	\$ 144,174	\$ 121,595

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$20,733.

At September 30, 2023, the City and its component unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,790	\$ 7,370
Changes in actuarial assumptions	31,180	68,575
Total	\$ 32,970	\$ 75,945

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Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024		\$	(4,002)
2025			(5,043)
2026			(4,070)
2027			(8,285)
2028			(11,047)
Thereafter			(10,528)
Total		\$	(42,975)

Allocation of OPEB Items

The City allocates OPEB items between governmental activities, business-type activities, and its component unit on the basis of employee payroll funding. For the governmental activities, the total OPEB liability is liquidated by the general fund. For the business type activities, the Water and Sewer fund liquidates the total OPEB liability.

Note 10: Due to/From Other Funds

The following is a summary of due to/from other funds at September 30, 2023:

Receivable Fund	Payable Fund	Amount
Bonds Capital Projects	Debt Service	\$ 6,894

The outstanding balance owed by the Debt Service fund to the Bonds Capital Projects Fund result mainly from the time lag between dates that: (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

City of Royse City, Texas
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Note 11: Interfund Transactions

Current transfers between funds during the year were as follows:

Transfers out	Transfers in			Totals Transfers Out
	General Fund	General Capital/CIP Fund	Internal Service Funds	
General Fund		\$ 740,000	\$ 514,764	\$ 1,254,764
Bonds Capital Projects Fund			15,592	15,592
Non-major governmental funds	13,000			13,000
Water and Sewer Fund	400,000	-	-	400,000
Internal Service Funds	18,953			18,953
Total transfers in	<u>\$ 431,953</u>	<u>\$ 740,000</u>	<u>\$ 530,356</u>	<u>\$ 1,702,309</u>

Transfers are used to/for: 1) operational transfer to the General Fund from the Water and Sewer; 2) transfer monies for capital asset purchases and 3) help fund internal service operations.

During fiscal year 2023, the governmental activities assumed \$630,000 of long-term obligations initially recorded in the Water and Sewer fund. This will be reflected as nonoperating revenue in the proprietary funds Statement of Revenues, Expenses and Changes in Net Position and as a transfer in the government-wide statement of activities.

Note 12: Tax Incentive Rebates

The City has two active Incentive Rebates that were used to attract businesses that generate incremental tax revenues. The agreements are subject to Chapter 380 of the Texas Local Government Code that promotes local economic development, commercial activity and business stimulation. City Council approves the agreements via resolution. As part of the agreements, the City agrees to rebate a portion of the sales tax after confirmation of payment. If the businesses do not meet the obligations as set forth in the agreements in a particular year, the businesses forego the rebates in that year. For the year ended September 30, 2023, the amount of sales tax rebated for both agreements was approximately \$527,000.

City of Royse City, Texas
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Note 13: Commitments and Contingencies

Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental RiskPool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level or reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Litigation

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's legal counsel and management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

Note 14: Additional Water and Sewer Information

The North Texas Municipal Water District (NTMWD) is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article VXi, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, as amended. An amendment to the NTMWD's creating ACT by the legislation in 1975, Section 27, authorizes the NTMWD to acquire, treat, and distribute water, and to collect, treat and dispose of wastes, both liquid and solid, in order to reduce pollution, conserve and develop the natural resources of Texas.

The primary mission of the District is to meet the various needs of its members and customer cities, whether that is the need for drinking water, solid waste disposal or wastewater treatment. NTMWD acts as a regional wholesale of water to its members and customer cities. Rates for service are set at cost. No profits are included, and no taxes are collected. Unit costs for services are lower because the services are regional.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

The District has long-term contracts with the City to supply treated water and sewer treatment. The City’s water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City is contractually obligated to make sufficient payments to the NTMWD, recognized as operating expenses by the City and as revenues by NTMWD, for the proportional share of regional operating expenses and redemption and payment of the City’s portion of certain NTMWD revenue bonds as they become due. Payments under these contracts totaled approximately \$2,900,000 for the water system and approximately \$3,400,000 for the sewer system during the fiscal year.

Note 15: Special Assessment Districts

The Waterscape, Creekshaw, Creekside, and Parkside PIDs have issued debt to finance infrastructure improvements and facilities within their boundaries. The City has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not recorded as long-term debt of the City. The outstanding balance of each of the debt issuances as of September 30, 2023, is as follows:

Waterscape PID No. 1 Phase 1A Special Assessment Revenue Bonds, Series 2017	\$ 3,125,000
Waterscape PID, MIA Special Assessment Revenue Bonds, Series 2017	4,800,000
Waterscape PID No.1 Phase 1B Special Assessment Revenue Bonds, Series 2019	2,590,000
Waterscape PID No. 1 Phase 2A Special Assessment Revenue Bonds, Series 2019	8,110,000
Waterscape PID No. 1 Phase 3A Special Assessment Revenue Bonds, Series 2022	7,982,000
Parkside PID Special Assessment Revenue Bonds, Series 2019	6,845,000
Creekshaw PID No.1 Phase 1A Special Assessment Revenue Bonds, Series 2020	5,435,000
Creekshaw PID, MIA Special Assessment Revenue Bonds, Series 2020	3,610,000
Creekshaw PID, No. 1 Phase 2A Special Assessment Revenue Bonds, Series 2022	6,576,000
Creekside PID No.1 Phase 1A Special Assessment Revenue Bonds, Series 2020	<u>7,175,000</u>
Total	<u>\$ 56,248,000</u>

City of Royse City, Texas
Notes to Financial Statements
September 30, 2023

Note 16: Subsequent Events

In October 2023, the City issued \$41,330,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation Bonds, Series 2023, issued for the purpose of (i) renovating, improving, or equipping existing buildings or facilities, including the Janet Nichol Municipal Building; (ii) constructing, reconstructing and improving sidewalks, streets and roads, including, bridges and intersections, street overlay, landscaping, traffic safety and operational improvements, culverts and related storm drainage and utility relocation, and the acquisition of land and interests in land as necessary therefor; (iii) acquiring, constructing, installing, and equipping additions, improvements, extensions, and equipment for the City's waterworks and sewer system, including water and sewer lines, manholes, valves and related street and infrastructure improvements; and (iv) paying the costs of issuing the Certificates.

Required Supplementary Information

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City of Royse City, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – General Fund
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ 5,944,000	\$ 6,072,700	\$ 6,063,959	\$ (8,741)
Franchise	563,000	616,450	686,974	70,524
Sales	4,952,850	4,952,850	5,307,870	355,020
Beverage	36,900	31,900	35,128	3,228
Fines and forfeitures	221,000	419,000	565,181	146,181
Licenses and permits	1,220,000	1,620,000	1,918,418	298,418
Charges for services	891,800	1,349,200	1,524,831	175,631
Intergovernmental	240,000	272,000	271,755	(245)
Investment income	30,000	218,000	700,352	482,352
Miscellaneous	11,000	10,300	16,850	6,550
	<u>14,110,550</u>	<u>15,562,400</u>	<u>17,091,318</u>	<u>1,528,918</u>
Total revenues				
Expenditures				
Current				
General government	4,288,650	4,289,300	4,092,358	196,942
Public safety	6,500,900	6,613,150	6,610,093	3,057
Public works	427,009	425,709	760,157	(334,448)
Community development	1,458,600	1,329,050	1,285,304	43,746
Culture and recreation	1,455,250	1,454,250	1,389,882	64,368
Capital outlay	1,506,341	1,684,741	1,161,073	523,668
	<u>15,636,750</u>	<u>15,796,200</u>	<u>15,333,161</u>	<u>463,039</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(1,526,200)</u>	<u>(233,800)</u>	<u>1,758,157</u>	<u>1,991,957</u>
Other Financing Sources (Uses)				
Transfers in	412,000	413,000	431,953	18,953
Transfers out	<u>(1,129,150)</u>	<u>(1,307,550)</u>	<u>(1,254,764)</u>	<u>52,786</u>
	<u>(717,150)</u>	<u>(894,550)</u>	<u>(822,811)</u>	<u>71,739</u>
Total other financing sources (uses)				
Net Change in Fund Balances	(2,243,350)	(1,128,350)	935,346	2,063,696
Fund Balances, Beginning	<u>5,665,806</u>	<u>5,665,806</u>	<u>5,665,806</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 3,422,456</u>	<u>\$ 4,537,456</u>	<u>\$ 6,601,152</u>	<u>\$ 2,063,696</u>

City of Royse City, Texas
Notes to Required Budgetary Information
September 30, 2023

Budgetary Controls and Procedures

The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual adopted budget approved by the City Council. The City Manager is required by charter to submit a proposed budget and accompanying message to City Council by August 15. The Council shall review and revise the proposed budget as they deem appropriate prior to circulation for the public hearing. A summary of the proposed budget and notice of the public hearing must be posted in City Hall and be published in the official newspaper at least 2 weeks prior to the hearing. Annual budgets for General, Debt Service, Bonds Capital Projects, certain Special Revenue and Enterprise Funds are legally adopted by ordinance before fiscal year end. Budgetary control for capital projects funds is achieved through legally binding construction contracts and project length budgets.

The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the total approved budget for each fund. The City Manager is authorized to transfer part or all of any unencumbered appropriation balance among programs within a fund. All other amendments and/or transfers must be approved by Council.

City of Royse City, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System (Unaudited)
September 30, 2023

	Measurement Year								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension Liability									
Service cost	\$ 404,223	\$ 499,985	\$ 551,164	\$ 623,280	\$ 770,427	\$ 873,112	\$ 998,014	\$ 1,056,413	\$ 1,307,363
Interest (on the total pension liability)	335,002	389,694	439,753	-	594,767	685,043	798,513	916,444	1,034,465
Changes of benefit terms	-	-	-	524,432	-	-	-	-	-
Difference between expected and actual experience	97,116	81,108	(201,619)	659,130	92,003	259,449	194,592	(10,729)	439,265
Change in assumptions	-	128,063	-	6,071	-	47,733	-	-	-
Benefit payments, including refunds of employee contributions	(100,973)	(104,842)	(248,436)	(211,533)	(159,175)	(183,048)	(310,478)	(235,905)	(442,368)
Net Change in Total Pension Liability	735,368	994,008	540,862	1,601,380	1,298,022	1,682,289	1,680,641	1,726,223	2,338,725
Total Pension Liability – Beginning	4,634,119	5,369,487	6,363,495	6,904,357	8,505,737	9,803,759	11,486,048	13,166,689	14,892,912
Total Pension Liability – Ending (a)	\$ 5,369,487	\$ 6,363,495	\$ 6,904,357	\$ 8,505,737	\$ 9,803,759	\$ 11,486,048	\$ 13,166,689	\$ 14,892,912	\$ 17,231,637
Plan Fiduciary Net Position:									
Contributions – employer	\$ 257,384	\$ 412,033	\$ 389,203	\$ 464,778	\$ 642,880	\$ 729,724	\$ 803,330	\$ 843,277	\$ 1,066,284
Contributions – employee	187,480	230,554	217,606	242,252	277,274	319,654	366,340	381,573	472,703
Net investment income	215,140	6,369	328,152	767,860	(203,862)	1,139,068	711,786	1,427,588	(976,864)
Benefit payments, including refunds of employee contributions	(100,973)	(104,842)	(248,436)	(211,533)	(159,175)	(183,048)	(310,478)	(235,905)	(442,368)
Administrative expense	(2,245)	(3,879)	(3,706)	(3,978)	(3,935)	(6,421)	(4,592)	(6,584)	(8,417)
Other	(185)	(191)	(199)	(202)	(206)	(191)	(180)	44	10,044
City's Net Change in Plan Fiduciary Net Position	556,601	540,044	682,620	1,259,177	552,976	1,998,786	1,566,206	2,409,993	121,382
Plan Fiduciary Net Position – Beginning	3,759,314	4,315,915	4,855,959	5,538,579	6,797,756	7,350,732	9,349,518	10,915,724	13,325,717
Plan Fiduciary Net Position – Ending (b)	\$ 4,315,915	\$ 4,855,959	\$ 5,538,579	\$ 6,797,756	\$ 7,350,732	\$ 9,349,518	\$ 10,915,724	\$ 13,325,717	\$ 13,447,099
City's Net Pension Liability – Ending (a) – (b)	\$ 1,053,572	\$ 1,507,536	\$ 1,365,778	\$ 1,707,981	\$ 2,453,027	\$ 2,136,530	\$ 2,250,965	\$ 1,567,195	\$ 3,784,538
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.38%	76.31%	80.22%	79.92%	74.98%	81.40%	82.90%	89.48%	78.04%
Covered Payroll	\$ 2,678,293	\$ 2,939,358	\$ 3,108,654	\$ 3,460,744	\$ 3,961,063	\$ 4,566,486	\$ 5,233,422	\$ 5,451,046	\$ 6,752,906
City's Net Pension Liability as a Percentage of Covered Payroll	39.34%	51.29%	43.93%	49.35%	61.93%	46.79%	43.01%	28.75%	56.04%

Other Information:

For the 2019 valuation, inflation used was 2.5%, investment rate of return and discount rate used was 6.75% and actuarial studies were updated through December 31, 2018.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date (December 31).

City of Royse City, Texas
Schedule of Employer's Contributions
Texas Municipal Retirement System (Unaudited)
September 30, 2023

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Actuarially determined contribution	\$ 276,233	\$ 402,912	\$ 506,859	\$ 597,472	\$ 709,950	\$ 751,545	\$ 832,953	\$ 982,380	\$ 1,248,062	
Contribution in relation of the actuarially determined contribution	276,233	402,912	506,859	597,472	709,950	751,545	832,953	982,380	1,248,062	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 2,678,293	\$ 3,353,461	\$ 3,320,321	\$ 3,834,103	\$ 4,426,898	\$ 4,848,766	\$ 5,396,236	\$ 6,253,794	\$ 7,974,932	
Contributions as a percentage of covered payroll	10.31%	12.01%	15.27%	15.58%	16.04%	15.50%	15.44%	15.71%	15.65%	

Notes to Schedule of Contributions

Valuation Date:

Notes 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 22 years (longest amortization ladder)
Asset Valuation Method 10 Year smoothed market; 12% soft corridor
Inflation 2.50%
Salary Increases 3.50% to 11.50%, including inflation
Investment Rate of Return 6.75%
Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018

Mortality

Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Post-retirement: 2019 Municipal Retirees of Texas Mortality tables. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's most recent fiscal year-end (September 30).

City of Royse City, Texas
Schedule of Changes in the Total OPEB Liability and Related Ratios
Texas Municipal Retirement System – Supplemental Death Benefits (Unaudited)
For the Year Ended September 30, 2023

	Measurement Year					
	2017	2018	2019	2020	2021	2022
Total OPEB Liability						
Service cost	\$ 6,921	\$ 8,714	\$ 9,133	\$ 13,607	\$ 15,808	\$ 20,934
Interest (on the total OPEB liability)	3,336	3,560	4,053	4,098	3,799	3,801
Difference between expected and actual experience	-	(1,481)	(460)	(1,339)	(8,401)	2,090
Change in assumptions	8,895	(8,467)	25,786	25,633	6,181	(77,064)
Benefit payments	(692)	(792)	(913)	(1,047)	(3,271)	(3,376)
Net Change in Total OPEB Liability	18,460	1,534	37,599	40,952	14,116	(53,615)
Total OPEB Liability – Beginning	85,128	103,588	105,122	142,721	183,673	197,789
Total OPEB Liability – Ending	\$ 103,588	\$ 105,122	\$ 142,721	\$ 183,673	\$ 197,789	\$ 144,174
Covered Employee Payroll	\$ 3,460,744	\$ 3,961,063	\$ 4,566,486	\$ 5,233,422	\$ 5,451,046	\$ 6,752,906
City's Total OPEB Liability as a Percentage of Covered Employee Payroll	2.99%	2.65%	3.13%	3.51%	3.63%	2.13%

Notes to Schedule:

Changes of benefit terms:

None

Changes of assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	3.31%
2018	3.71%
2019	2.75%
2020	2.00%
2021	1.84%
2022	4.05%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date (December 31).

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

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**Combining and Individual Fund Financial Statements and
Budgetary Comparison Schedules**

City of Royse City, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2023

	Special Revenue							
	Municipal Court Technology Fund	Municipal Court Security Fund	Jury Fee Fund	Hotel/Motel Occupancy Tax Fund	Roadway Impact Fees Fund	Police Forfeiture Federal Fund	Police Forfeiture Local Fund	Verandah Road Maintenance Fund
Assets								
Cash and cash equivalents	\$ 25,993	\$ 68,085	\$ 614	\$ 346,635	\$ 3,759,204	\$ 6,960	\$ 14,344	\$ 548,707
Receivables (net of allowance for uncollectibles)	-	-	-	9,039	-	-	-	-
Total assets	<u>25,993</u>	<u>68,085</u>	<u>614</u>	<u>355,674</u>	<u>3,759,204</u>	<u>6,960</u>	<u>14,344</u>	<u>548,707</u>
Liabilities								
Accounts payable	-	-	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-	1,121	-
Escrow deposits	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,121</u>	<u>-</u>
Fund Balances								
Restricted	25,993	68,085	614	355,674	3,759,204	6,960	13,223	548,707
Assigned	-	-	-	-	-	-	-	-
Total fund balances	<u>25,993</u>	<u>68,085</u>	<u>614</u>	<u>355,674</u>	<u>3,759,204</u>	<u>6,960</u>	<u>13,223</u>	<u>548,707</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 25,993</u>	<u>\$ 68,085</u>	<u>\$ 614</u>	<u>\$ 355,674</u>	<u>\$ 3,759,204</u>	<u>\$ 6,960</u>	<u>\$ 14,344</u>	<u>\$ 548,707</u>

City of Royse City, Texas
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
September 30, 2023

	Special Revenue							
	Library Grant Fund	Library Donations Fund	Juvenile Case Management Fund	Senior Center Donations Fund	Main Street Donations Fund	Park Donations Fund	Animal Control Donations Fund	Police Donations Fund
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ 47,813	\$ 6,732	\$ 60,672	\$ 31,203	\$ 38,517	\$ 35,686
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-
Total assets	<u>-</u>	<u>-</u>	<u>47,813</u>	<u>6,732</u>	<u>60,672</u>	<u>31,203</u>	<u>38,517</u>	<u>35,686</u>
Liabilities								
Accounts payable	-	-	148	-	1,005	-	-	21,464
Accrued liabilities	-	-	3,500	-	-	-	-	7,375
Escrow deposits	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>3,648</u>	<u>-</u>	<u>1,005</u>	<u>-</u>	<u>-</u>	<u>28,839</u>
Fund Balances								
Restricted	-	-	44,165	-	-	-	-	-
Assigned	-	-	-	6,732	59,667	31,203	38,517	6,847
Total fund balances	<u>-</u>	<u>-</u>	<u>44,165</u>	<u>6,732</u>	<u>59,667</u>	<u>31,203</u>	<u>38,517</u>	<u>6,847</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,813</u>	<u>\$ 6,732</u>	<u>\$ 60,672</u>	<u>\$ 31,203</u>	<u>\$ 38,517</u>	<u>\$ 35,686</u>

City of Royse City, Texas
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
September 30, 2023

	Special Revenue							
	Animal Shelter New Building Fund	Fire Donations Fund	Park Recreation Programs Fund	Battle of the Badges Fund	Union Square Public Improvement District	Waterscape Public Improvement District	Waterscape TIRZ	Special Escrow Fund
Assets								
Cash and cash equivalents	\$ 8,248	\$ 23	\$ 37,907	\$ 6,719	\$ 1,245,910	\$ 9,360	\$ 238,995	\$ 503,000
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-
Total assets	<u>8,248</u>	<u>23</u>	<u>37,907</u>	<u>6,719</u>	<u>1,245,910</u>	<u>9,360</u>	<u>238,995</u>	<u>503,000</u>
Liabilities								
Accounts payable	-	-	-	-	955	-	-	-
Accrued liabilities	-	-	-	-	-	9,223	-	-
Escrow deposits	-	-	-	-	-	-	-	503,000
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>955</u>	<u>9,223</u>	<u>-</u>	<u>-</u>
Fund Balances								
Restricted	-	-	37,907	6,719	1,244,955	137	238,995	-
Assigned	8,248	23	-	-	-	-	-	-
Total fund balances	<u>8,248</u>	<u>23</u>	<u>37,907</u>	<u>6,719</u>	<u>1,244,955</u>	<u>137</u>	<u>238,995</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,248</u>	<u>\$ 23</u>	<u>\$ 37,907</u>	<u>\$ 6,719</u>	<u>\$ 1,245,910</u>	<u>\$ 9,360</u>	<u>\$ 238,995</u>	<u>\$ -</u>

City of Royse City, Texas
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
September 30, 2023

	Capital Projects		
	Park Development Fees Fund	Verandah Development Fees Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,044,101	\$ 4,573,157	\$ 12,658,585
Receivables (net of allowance for uncollectibles)	-	-	9,039
Total assets	1,044,101	4,573,157	12,667,624
Liabilities			
Accounts payable	-	-	23,572
Accrued liabilities	-	-	21,219
Unearned revenue	-	680,000	1,183,000
Total liabilities	-	-	1,227,791
Fund Balances			
Restricted	1,044,101	3,893,157	11,288,596
Assigned	-	-	151,237
Total fund balances	1,044,101	3,893,157	11,439,833
Total liabilities, deferred inflows of resources and fund balances	\$ 1,044,101	\$ 3,893,157	\$ 12,667,624

City of Royse City, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2023

	Special Revenue							
	Municipal Court Technology Fund	Municipal Court Security Fund	Jury Fee Fund	Hotel/Motel Occupancy Tax Fund	Roadway Impact Fees Fund	Police Forfeiture Federal Fund	Police Forfeiture Local Fund	Verandah Road Maintenance Fund
Revenues								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel/motel	-	-	-	116,467	-	-	-	-
Fines and forfeitures	14,937	18,006	542	-	-	-	12,251	-
Impact fees	-	-	-	-	580,729	-	-	50,700
Development fees	-	-	-	-	-	-	-	-
Contributions and donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Investment income	195	450	3	2,369	142,218	51	162	3,905
Total revenues	<u>15,132</u>	<u>18,456</u>	<u>545</u>	<u>118,836</u>	<u>722,947</u>	<u>51</u>	<u>12,413</u>	<u>54,605</u>
Expenditures								
Current								
General government	-	-	-	55,219	-	-	-	-
Public safety	5,293	-	-	-	-	-	16,156	-
Public works	-	-	-	-	99,439	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	<u>5,293</u>	<u>-</u>	<u>-</u>	<u>55,219</u>	<u>99,439</u>	<u>-</u>	<u>16,156</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,839</u>	<u>18,456</u>	<u>545</u>	<u>63,617</u>	<u>623,508</u>	<u>51</u>	<u>(3,743)</u>	<u>54,605</u>
Other Financing Sources (Uses)								
Transfers out	(8,000)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,839	18,456	545	63,617	623,508	51	(3,743)	54,605
Fund Balances, Beginning	24,154	49,629	69	292,057	3,135,696	6,909	16,966	494,102
Fund balances, Ending	<u>\$ 25,993</u>	<u>\$ 68,085</u>	<u>\$ 614</u>	<u>\$ 355,674</u>	<u>\$ 3,759,204</u>	<u>\$ 6,960</u>	<u>\$ 13,223</u>	<u>\$ 548,707</u>

City of Royse City, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended September 30, 2023

	Special Revenue							
	Library Grant Fund	Library Donations Fund	Juvenile Case Management Fund	Senior Center Donations Fund	Main Street Donations Fund	Park Donations Fund	Animal Control Donations Fund	Police Donations Fund
Revenues								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel motel	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	19,259	-	-	-	-	-
Impact fees	-	-	-	-	-	-	-	-
Development fees	-	-	-	-	-	-	-	-
Contributions and donations	-	-	-	1,985	26,322	10,670	3,776	4,530
Miscellaneous	-	-	-	-	-	-	-	-
Investment income	-	-	312	47	427	203	281	218
Total revenues	-	-	19,571	2,032	26,749	10,873	4,057	4,748
Expenditures								
Current								
General government	-	-	-	-	-	-	3,340	-
Public safety	-	-	1,096	-	-	-	-	4,476
Public works	-	-	-	-	-	-	-	-
Culture and recreation	789	420	-	930	21,658	3,653	-	-
Total expenditures	789	420	1,096	930	21,658	3,653	3,340	4,476
Excess (deficiency) of revenues over (under) expenditures	(789)	(420)	18,475	1,102	5,091	7,220	717	272
Other Financing Sources (Uses)								
Transfers out	-	-	(5,000)	-	-	-	-	-
Total other financing sources (uses)	-	-	(5,000)	-	-	-	-	-
Net Change in Fund Balances	(789)	(420)	13,475	1,102	5,091	7,220	717	272
Fund Balances, Beginning	789	420	30,690	5,630	54,576	23,983	37,800	6,575
Fund balances, Ending	\$ -	\$ -	\$ 44,165	\$ 6,732	\$ 59,667	\$ 31,203	\$ 38,517	\$ 6,847

City of Royse City, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended September 30, 2023

	Special Revenue							
	Animal Shelter New Building Fund	Fire Donations Fund	Park Recreation Programs Fund	Battle of the Badges Fund	Union Square Public Improvement District	Waterscape Public Improvement District	Waterscape TIRZ	Special Escrow Fund
Revenues								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,042	\$ -
Hotel motel	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Impact fees	-	-	-	-	-	-	-	-
Development fees	-	-	-	-	-	-	-	-
Contributions and donations	75	1,000	-	-	-	-	-	-
Miscellaneous	-	-	-	-	306,738	-	-	-
Investment income	61	23	278	49	14,413	69	-	-
Total revenues	<u>136</u>	<u>1,023</u>	<u>278</u>	<u>49</u>	<u>321,151</u>	<u>69</u>	<u>227,042</u>	<u>-</u>
Expenditures								
Current								
General government	-	-	-	-	100,072	-	193,663	-
Public safety	-	4,323	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>4,323</u>	<u>-</u>	<u>-</u>	<u>100,072</u>	<u>-</u>	<u>193,663</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>136</u>	<u>(3,300)</u>	<u>278</u>	<u>49</u>	<u>221,079</u>	<u>69</u>	<u>33,379</u>	<u>-</u>
Other Financing Sources (Uses)								
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>136</u>	<u>(3,300)</u>	<u>278</u>	<u>49</u>	<u>221,079</u>	<u>69</u>	<u>33,379</u>	<u>-</u>
Fund Balances, Beginning	<u>8,112</u>	<u>3,323</u>	<u>37,629</u>	<u>6,670</u>	<u>1,023,876</u>	<u>68</u>	<u>205,616</u>	<u>-</u>
Fund balances, Ending	<u>\$ 8,248</u>	<u>\$ 23</u>	<u>\$ 37,907</u>	<u>\$ 6,719</u>	<u>\$ 1,244,955</u>	<u>\$ 137</u>	<u>\$ 238,995</u>	<u>\$ -</u>

City of Royse City, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended September 30, 2023

	<u>Capital Projects</u>		
	<u>Park Development Fees Fund</u>	<u>Verandah Development Fees Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes:			
Property	\$ -	\$ -	\$ 227,042
Hotel motel	-	-	116,467
Fines and forfeitures	-	-	64,995
Impact fees	-	-	631,429
Development fees	229,033	676,000	905,033
Contributions and donations	-	-	48,358
Miscellaneous	-	-	306,738
Investment income	6,553	29,819	202,106
Total revenues	<u>235,586</u>	<u>705,819</u>	<u>2,502,168</u>
Expenditures			
Current			
General government	-	-	352,294
Public safety	-	-	31,344
Public works	-	-	99,439
Culture and recreation	-	-	27,450
Total expenditures	<u>-</u>	<u>-</u>	<u>510,527</u>
Excess (deficiency) of revenues over (under) expenditures	<u>235,586</u>	<u>705,819</u>	<u>1,991,641</u>
Other Financing Sources (Uses)			
Transfers out	-	-	(13,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(13,000)</u>
Net Change in Fund Balances	235,586	705,819	1,978,641
Fund Balances, Beginning	<u>808,515</u>	<u>3,187,338</u>	<u>9,461,192</u>
Fund balances, Ending	<u>\$ 1,044,101</u>	<u>\$ 3,893,157</u>	<u>\$ 11,439,833</u>

City of Royse City, Texas

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Debt Service Fund

For the Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	\$ 4,307,900	\$ 4,629,000	\$ 4,615,910	\$ (13,090)
Investment income	2,500	85,000	198,014	113,014
Total revenues	4,310,400	4,714,000	4,813,924	99,924
Expenditures				
Debt service				
Principal	2,985,000	2,985,000	2,984,769	231
Interest	1,667,000	1,667,014	1,663,353	3,661
Total expenditures	4,652,000	4,652,014	4,648,122	3,892
Excess (deficiency) of revenues over (under) expenditures	(341,600)	61,986	165,802	103,816
Net Change in Fund Balances	(341,600)	61,986	165,802	103,816
Fund Balances, Beginning	1,342,710	1,342,710	1,342,710	-
Fund Balances, Ending	\$ 1,001,110	\$ 1,404,696	\$ 1,508,512	\$ 103,816

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Bonds Capital Projects Fund
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 25,000	\$ 1,000,000	\$ 1,308,387	\$ 308,387
Total revenues	25,000	1,000,000	1,308,387	308,387
Expenditures				
Capital outlay	16,000,000	10,688,200	13,544,657	(2,856,457)
Total expenditures	16,000,000	10,688,200	13,544,657	(2,856,457)
Excess (deficiency) of revenues over (under) expenditures	(15,975,000)	(9,688,200)	(12,236,270)	(2,548,070)
Other Financing Sources (Uses)				
Transfers out	-	-	(15,592)	(15,592)
Total other financing sources (uses)	-	-	(15,592)	(15,592)
Net Change in Fund Balances	(15,975,000)	(9,688,200)	(12,251,862)	(2,563,662)
Fund Balances, Beginning	26,978,886	26,978,886	26,978,886	-
Fund Balances, Ending	<u>\$ 11,003,886</u>	<u>\$ 17,290,686</u>	<u>\$ 14,727,024</u>	<u>\$ (2,563,662)</u>

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Water and Sewer Fund
For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Operating Revenues				
Charges for services – water	\$ 5,415,000	\$ 7,125,000	\$ 8,312,229	\$ 1,187,229
Charges for services – sewer	4,500,000	5,200,000	5,286,595	86,595
Impact fees	1,212,500	1,421,500	1,969,425	547,925
Penalties	100,000	185,000	217,130	32,130
Miscellaneous	195,000	215,000	225,380	10,380
	<u>11,422,500</u>	<u>14,146,500</u>	<u>16,010,759</u>	<u>1,864,259</u>
Total revenues				
	<u>11,422,500</u>	<u>14,146,500</u>	<u>16,010,759</u>	<u>1,864,259</u>
Operating Expenses				
Personnel services	946,600	1,064,250	1,168,210	(103,960)
Materials and supplies	351,900	369,300	195,126	174,174
Repairs and maintenance	1,769,200	1,691,000	894,946	796,054
Water purchases	2,793,800	2,793,800	2,890,389	(96,589)
Contractual services	439,500	175,100	199,584	(24,484)
Interceptor services	2,543,000	3,262,200	3,420,910	(158,710)
Depreciation	819,832	819,832	847,805	(27,973.00)
	<u>9,663,832</u>	<u>10,175,482</u>	<u>9,616,970</u>	<u>558,512</u>
Total operating expenses				
	<u>9,663,832</u>	<u>10,175,482</u>	<u>9,616,970</u>	<u>558,512</u>
Operating income	<u>1,758,668</u>	<u>3,971,018</u>	<u>6,393,789</u>	<u>2,422,771</u>
Nonoperating Revenues (Expenses)				
Intergovernmental	-	-	953,626	953,626
Investment earnings	15,000	300,000	1,389,894	1,089,894
Other	(588,300)	(588,300)	71,290	659,590
Assumption of debt by governmental activities	-	-	630,000	630,000
	<u>(573,300)</u>	<u>(288,300)</u>	<u>3,044,810</u>	<u>3,333,110</u>
Total nonoperating revenues (expenses)				
	<u>(573,300)</u>	<u>(288,300)</u>	<u>3,044,810</u>	<u>3,333,110</u>
Income before transfers	1,185,368	3,682,718	9,438,599	5,755,881
Transfers out	(400,000)	(400,000)	(400,000)	-
Change in Net Position	<u>785,368</u>	<u>3,282,718</u>	<u>9,038,599</u>	<u>5,755,881</u>
Net Position, Beginning	<u>45,171,405</u>	<u>45,171,405</u>	<u>45,171,405</u>	<u>-</u>
Net Position, Ending	<u>\$ 45,956,773</u>	<u>\$ 48,454,123</u>	<u>\$ 54,210,004</u>	<u>\$ 5,755,881</u>

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Municipal Court Technology Fund
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 5,000	\$ 12,000	\$ 14,937	\$ 2,937
Investment income	-	50	195	145
Total revenues	5,000	12,050	15,132	3,082
Expenditures				
Public safety	3,600	5,300	5,293	7
Total expenditures	3,600	5,300	5,293	7
Excess (deficiency) of revenues over (under) expenditures	1,400	6,750	9,839	3,089
Other Financing Sources (Uses)				
Transfer Out	-	-	(8,000)	(8,000)
Total other financing sources (uses)	-	-	(8,000)	(8,000)
Net Change in Fund Balances	1,400	6,750	1,839	(4,911)
Fund Balances, Beginning	24,154	24,154	24,154	-
Fund Balances, Ending	\$ 25,554	\$ 30,904	\$ 25,993	\$ (4,911)

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Municipal Court Security Fund
For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures	\$ 5,000	\$ 15,000	\$ 18,006	\$ 3,006
Investment income	-	100	450	350
Total revenues	<u>5,000</u>	<u>15,100</u>	<u>18,456</u>	<u>3,356</u>
Expenditures				
Public safety	<u>5,000</u>	<u>3,000</u>	-	<u>3,000</u>
Total expenditures	<u>5,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>12,100</u>	<u>18,456</u>	<u>6,356</u>
Net Change in Fund Balances	-	12,100	18,456	6,356
Fund Balances, Beginning	<u>49,629</u>	<u>49,629</u>	<u>49,629</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 49,629</u>	<u>\$ 61,729</u>	<u>\$ 68,085</u>	<u>\$ 6,356</u>

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Hotel/Motel Occupancy Tax Fund
For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Hotel motel	\$ 70,000	\$ 77,000	\$ 116,467	\$ 39,467
Investment income	500	500	2,369	1,869
Total revenues	<u>70,500</u>	<u>77,500</u>	<u>118,836</u>	<u>41,336</u>
Expenditures				
General government	15,000	15,000	55,219	(40,219)
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>55,219</u>	<u>(40,219)</u>
Net Change in Fund Balances	55,500	62,500	63,617	1,117
Fund Balances, Beginning	<u>292,057</u>	<u>292,057</u>	<u>292,057</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 347,557</u>	<u>\$ 354,557</u>	<u>\$ 355,674</u>	<u>\$ 1,117</u>

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Police Forfeiture Federal Fund
For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ -	\$ 20	\$ 51	\$ 31
Total revenues	<u>-</u>	<u>20</u>	<u>51</u>	<u>31</u>
Expenditures				
Public safety	2,500	-	-	-
Total expenditures	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,500)</u>	<u>20</u>	<u>51</u>	<u>31</u>
Net Change in Fund Balances	(2,500)	20	51	31
Fund Balances, Beginning	<u>6,909</u>	<u>6,909</u>	<u>6,909</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 4,409</u>	<u>\$ 6,929</u>	<u>\$ 6,960</u>	<u>\$ 31</u>

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Police Forfeiture Local Fund
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues				
Fines and forfeitures	\$ -	\$ 12,200	\$ 12,251	\$ 51
Investment income	-	80	162	82
Total revenues	<u>-</u>	<u>12,280</u>	<u>12,413</u>	<u>133</u>
Expenditures				
Public safety	1,000	16,000	16,156	(156)
Total expenditures	<u>1,000</u>	<u>16,000</u>	<u>16,156</u>	<u>(156)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000)</u>	<u>(3,720)</u>	<u>(3,743)</u>	<u>(23)</u>
Net Change in Fund Balances	(1,000)	(3,720)	(3,743)	(23)
Fund Balances, Beginning	<u>16,966</u>	<u>16,966</u>	<u>16,966</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 15,966</u>	<u>\$ 13,246</u>	<u>\$ 13,223</u>	<u>\$ (23)</u>

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Juvenile Case Management Fund
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues				
Fines and forfeitures	\$ 6,400	\$ 15,400	\$ 19,259	\$ 3,859
Investment income	-	50	312	262
Total revenues	<u>6,400</u>	<u>15,450</u>	<u>19,571</u>	<u>4,121</u>
Expenditures				
Public safety	1,800	1,500	1,096	404
Total expenditures	<u>1,800</u>	<u>1,500</u>	<u>1,096</u>	<u>404</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,600</u>	<u>13,950</u>	<u>18,475</u>	<u>4,525</u>
Other Financing Sources (Uses)				
Transfers out	-	(5,000)	(5,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Net Change in Fund Balances	4,600	8,950	13,475	4,525
Fund Balances, Beginning	<u>30,690</u>	<u>30,690</u>	<u>30,690</u>	<u>-</u>
Fund Balances, End	<u>\$ 35,290</u>	<u>\$ 39,640</u>	<u>\$ 44,165</u>	<u>\$ 4,525</u>

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Senior Center Donations Fund
For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and donations	\$ -	\$ 1,600	\$ 1,985	\$ 385
Investment income	-	-	47	47
Total revenues	<u>-</u>	<u>1,600</u>	<u>2,032</u>	<u>432</u>
Expenditures				
Culture and recreation	1,000	1,000	930	70
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>930</u>	<u>70</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000)</u>	<u>600</u>	<u>1,102</u>	<u>502</u>
Net Change in Fund Balances	(1,000)	600	1,102	502
Fund Balances, Beginning	<u>5,630</u>	<u>5,630</u>	<u>5,630</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 4,630</u>	<u>\$ 6,230</u>	<u>\$ 6,732</u>	<u>\$ 502</u>

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Main Street Donations Fund
For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and donations	\$ 25,000	\$ 27,500	\$ 26,322	\$ (1,178)
Investment income	100	100	427	327
Total revenues	<u>25,100</u>	<u>27,600</u>	<u>26,749</u>	<u>(851)</u>
Expenditures				
Culture and recreation	25,000	22,000	21,658	342
Total expenditures	<u>25,000</u>	<u>22,000</u>	<u>21,658</u>	<u>342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100</u>	<u>5,600</u>	<u>5,091</u>	<u>(509)</u>
Net Change in Fund Balances	100	5,600	5,091	(509)
Fund Balances, Beginning	<u>54,576</u>	<u>54,576</u>	<u>54,576</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 54,676</u>	<u>\$ 60,176</u>	<u>\$ 59,667</u>	<u>\$ (509)</u>

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Park Donations Fund
For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and donations	\$ -	\$ 6,150	\$ 10,670	\$ 4,520
Investment income	-	-	203	203
Total revenues	<u>-</u>	<u>6,150</u>	<u>10,873</u>	<u>4,723</u>
Expenditures				
Culture and recreation	1,000	3,000	3,653	(653)
Total expenditures	<u>1,000</u>	<u>3,000</u>	<u>3,653</u>	<u>(653)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000)</u>	<u>3,150</u>	<u>7,220</u>	<u>4,070</u>
Net Change in Fund Balances	(1,000)	3,150	7,220	4,070
Fund Balances, Beginning	<u>23,983</u>	<u>23,983</u>	<u>23,983</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 22,983</u>	<u>\$ 27,133</u>	<u>\$ 31,203</u>	<u>\$ 4,070</u>

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Animal Control Donations Fund
For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and donations	\$ 5,000	\$ 3,500	\$ 3,776	\$ 276
Investment income	100	30	281	251
Total revenues	<u>5,100</u>	<u>3,530</u>	<u>4,057</u>	<u>527</u>
Expenditures				
General government	5,000	5,000	3,340	1,660
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>3,340</u>	<u>1,660</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100</u>	<u>(1,470)</u>	<u>717</u>	<u>2,187</u>
Net Change in Fund Balances	100	(1,470)	717	2,187
Fund Balances, Beginning	<u>37,800</u>	<u>37,800</u>	<u>37,800</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 37,900</u>	<u>\$ 36,330</u>	<u>\$ 38,517</u>	<u>\$ 2,187</u>

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Police Donations Fund
For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and donations	\$ -	\$ 4,000	\$ 4,530	\$ 530
Investment income	-	20	218	198
Total revenues	<u>-</u>	<u>4,020</u>	<u>4,748</u>	<u>728</u>
Expenditures				
Public safety	1,000	3,000	4,476	(1,476)
Total expenditures	<u>1,000</u>	<u>3,000</u>	<u>4,476</u>	<u>(1,476)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000)</u>	<u>1,020</u>	<u>272</u>	<u>(748)</u>
Net Change in Fund Balances	(1,000)	1,020	272	(748)
Fund Balances, Beginning	<u>6,575</u>	<u>6,575</u>	<u>6,575</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 5,575</u>	<u>\$ 7,595</u>	<u>\$ 6,847</u>	<u>\$ (748)</u>

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Fire Donations Fund
For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and donations	\$ -	\$ 1,000	\$ 1,000	\$ -
Investment income	-	-	23	23
Total revenues	<u>-</u>	<u>1,000</u>	<u>1,023</u>	<u>23</u>
Expenditures				
Public safety	1,000	1,400	4,323	(2,923)
Total expenditures	<u>1,000</u>	<u>1,400</u>	<u>4,323</u>	<u>(2,923)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000)</u>	<u>(400)</u>	<u>(3,300)</u>	<u>(2,900)</u>
Net Change in Fund Balances	(1,000)	(400)	(3,300)	(2,900)
Fund Balances, Beginning	<u>3,323</u>	<u>3,323</u>	<u>3,323</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 2,323</u>	<u>\$ 2,923</u>	<u>\$ 23</u>	<u>\$ (2,900)</u>

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Park Recreation Programs Fund
For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ -	\$ -	\$ 278	\$ 278
Total revenues	<u>-</u>	<u>-</u>	<u>278</u>	<u>278</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>278</u>	<u>278</u>
Net Change in Fund Balances	-	-	278	278
Fund Balances, Beginning	<u>37,629</u>	<u>37,629</u>	<u>37,629</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 37,629</u>	<u>\$ 37,629</u>	<u>\$ 37,907</u>	<u>\$ 278</u>

City of Royse City, Texas

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Roadway Impact Fee Fund

For the Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Impact fees	\$ 250,000	\$ 400,000	\$ 580,729	\$ 180,729
Investment income	5,000	100,000	142,218	42,218
Total revenues	<u>255,000</u>	<u>500,000</u>	<u>722,947</u>	<u>222,947</u>
Expenditures				
Public works	400,000	120,000	99,439	20,561
Total expenditures	<u>400,000</u>	<u>120,000</u>	<u>99,439</u>	<u>20,561</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(145,000)</u>	<u>380,000</u>	<u>623,508</u>	<u>243,508</u>
Net Change in Fund Balances	(145,000)	380,000	623,508	243,508
Fund Balances, Beginning	<u>3,135,696</u>	<u>3,135,696</u>	<u>3,135,696</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 2,990,696</u>	<u>\$ 3,515,696</u>	<u>\$ 3,759,204</u>	<u>\$ 243,508</u>

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Verandah Road Maintenance Fund
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Impact fees	\$ 50,000	\$ 50,000	\$ 50,700	\$ 700
Investment income	-	-	3,905	3,905
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>54,605</u>	<u>4,605</u>
Expenditures				
Public works	25,000	-	-	-
Total expenditures	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,000</u>	<u>50,000</u>	<u>54,605</u>	<u>4,605</u>
Net Change in Fund Balances	25,000	50,000	54,605	4,605
Fund Balances, Beginning	<u>494,102</u>	<u>494,102</u>	<u>494,102</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 519,102</u>	<u>\$ 544,102</u>	<u>\$ 548,707</u>	<u>\$ 4,605</u>

City of Royse City, Texas
Combining Statement of Net Position – Internal Service Funds
September 30, 2023

	Technology Replacement Fund	Vehicle Replacement Fund	Risk Management Fund	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 424,004	\$ 1,663,470	\$ 250,000	\$ 2,337,474
Total current assets	<u>424,004</u>	<u>1,663,470</u>	<u>250,000</u>	<u>2,337,474</u>
Total assets	<u>424,004</u>	<u>1,663,470</u>	<u>250,000</u>	<u>2,337,474</u>
Accrued Liabilities				
Current Liabilities				
Accounts payable	-	45,351	-	45,351
Total current liabilities	<u>-</u>	<u>45,351</u>	<u>-</u>	<u>45,351</u>
Total liabilities	<u>-</u>	<u>45,351</u>	<u>-</u>	<u>45,351</u>
Net Position				
Unrestricted	<u>424,004</u>	<u>1,618,119</u>	<u>250,000</u>	<u>2,292,123</u>
Total net position	<u>\$ 424,004</u>	<u>\$ 1,618,119</u>	<u>\$ 250,000</u>	<u>\$ 2,292,123</u>

City of Royse City, Texas
Combining Statement of Revenues, Expenses and
Changes in Net Position – Internal Service Funds
For the Year Ended September 30, 2023

	Technology Replacement Fund	Vehicle Replacement Fund	Risk Management Fund	Total
Operating Expenses				
Other expense	\$ 20,689	\$ 67,357	\$ -	\$ 88,046
Total operating expenses	20,689	67,357	-	88,046
Operating loss	(20,689)	(67,357)	-	(88,046)
Nonoperating Revenues				
Investment earnings	2,203	8,397	-	10,600
Insurance proceeds	-	23,477	-	23,477
Total nonoperating revenues	2,203	31,874	-	34,077
Loss before transfers	(18,486)	(35,483)	-	(53,969)
Transfers in	-	280,356	250,000	530,356
Transfers out	(18,953)	-	-	(18,953)
Change in Net Position	(37,439)	244,873	250,000	457,434
Net Position, Beginning	461,443	1,373,246	-	1,834,689
Net Position, Ending	\$ 424,004	\$ 1,618,119	\$ 250,000	\$ 2,292,123

City of Royse City, Texas
Combining Statement of Cash Flows – Internal Service Funds
For the Year Ended September 30, 2023

	Technology Replacement Fund	Vehicle Replacement Fund	Risk Management Fund	Total
Operating Activities				
Other operating receipts (payments)	\$ -	\$ -	\$ -	\$ -
Payments to suppliers for goods and services	(23,538)	(69,480)	-	(93,018)
Net cash used in operating activities	(23,538)	(69,480)	-	(93,018)
Noncapital and Related Financing Activities				
Transfers from other funds	-	280,356	250,000	530,356
Transfers to other funds	(18,953)	-	-	(18,953)
Net cash provided by (used in) operating activities	(18,953)	280,356	250,000	511,403
Capital and Related Financing Activities				
Insurance proceeds	-	23,477	-	23,477
Net cash provided by capital and related financing activities	-	23,477	-	23,477
Investing Activities				
Interest on investments	2,203	8,397	-	10,600
Net cash provided by investing activities	2,203	8,397	-	10,600
Net increase (decrease) in cash and cash equivalents	(40,288)	242,750	250,000	452,462
Cash and Cash Equivalents, Beginning of Year	464,292	1,420,720	-	1,885,012
Cash and Cash Equivalents, End of Year	\$ 424,004	\$ 1,663,470	\$ 250,000	\$ 2,337,474
Reconciliation of Operating Loss to Net Cash used In Operating Activities				
Operating loss	\$ (20,689)	\$ (67,357)	\$ -	\$ (88,046)
Adjustment to reconcile operating loss to net cash used in operating activities:				
Decreases in liabilities:				
Accounts payable	(2,849)	(2,123)	-	(4,972)
Total adjustments	(2,849)	(2,123)	-	(4,972)
Net cash used in operating activities	\$ (23,538)	\$ (69,480)	\$ -	\$ (93,018)

City of Royse City, Texas
Balance Sheet
Royse City Community Development Corporation
September 30, 2023

	Royse City Community Development Corporation
Assets	
Cash and cash equivalents	\$ 5,133,361
Receivables (net of allowance for uncollectibles)	338,275
Lease receivable	188,399
Lease interest receivable	536
Note receivable	<u>250,000</u>
Total assets	<u><u>5,910,571</u></u>
 Liabilities	
Accounts payable	1,541
Accrued liabilities	<u>17,337</u>
Total liabilities	<u>18,878</u>
 Deferred Inflows of Resources	
Lease related	179,756
Unavailable revenues - note	<u>250,000</u>
Total deferred inflows of resources	<u>429,756</u>
 Fund Balances	
Restricted	<u>5,461,937</u>
Total fund balance	<u>5,461,937</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 5,910,571</u></u>

City of Royse City, Texas
Reconciliation of the Balance Sheet
to the Statement of Net Position
Royse City Community Development Corporation
September 30, 2023

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

Total fund balance – governmental funds	\$	5,461,937
Capital assets \$1,497,326 net of accumulated depreciation of \$152,962, used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.		1,344,364
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings, and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.		
Deferred outflows – pension related		72,077
Deferred outflows – OPEB related		1,032
Deferred inflows – pension related		(187)
Deferred inflows – OPEB related		(2,377)
Total deferred outflows and inflows related to postemployment benefits		70,545
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Compensated absences		(6,726)
Net pension liability		(118,455)
Total OPEB liability		(4,513)
Total long-term liabilities		(129,694)
Revenues in the statements of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.		250,000
Net position of governmental activities	\$	6,997,152

City of Royse City, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Royse City Community Development Corporation
For the Year Ended September 30, 2023

	Royse City Community Development Corporation
Revenues	
Taxes	
Sales	\$ 2,017,330
Charges for services	13,909
Investment income	30,494
Total revenues	2,061,733
 Expenditures	
Current	
General government	730,563
Capital outlay	229,793
Total expenditures	960,356
Excess of revenues over expenditures	1,101,377
 Net Change in Fund Balances	 1,101,377
 Fund Balances, Beginning	 4,360,560
 Fund Balances, Ending	 \$ 5,461,937

City of Royse City, Texas
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
to the Statement of Activities
Royse City Community Development Corporation
For the Year Ended September 30, 2023

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

Net change in fund balances – total governmental funds	\$	1,101,377
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$229,793 exceeded depreciation of \$4,460 in the current year.</p>		
		225,333
<p>Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This amount is the net change in deferred inflows of resources.</p>		
		250,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Compensated absences	(203)	
Changes in pension liabilities and related deferred outflows and inflows of resources	(5,243)	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	(543)	
	(5,989)	
Change in net position of governmental activities	\$	1,570,721