



City Of Royse City, Texas

**Annual
Financial Report**

Fiscal Year Ended September 30, 2021

City of Royse City, Texas

Independent Auditor's Report and Financial Statements

September 30, 2021

Carl Alsbrook
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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying 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. The combining and individual fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BKD, LLP

Dallas, Texas
April 15, 2022

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2021

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, 2021. 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 \$59,013,520 (net position). Of this amount, \$28,998,235, or 49.14 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 \$16,136,368, or 27.34 percent. Total unrestricted net position is \$13,878,917 or 23.52 percent.
- The government's total net position increased by \$15,116,042, or 34.43 percent, over the prior year. The \$8,042,841, or 38.38 percent, increase in net investment capital assets represents capital expenditures less depreciation, retirement of current debt, unspent bond proceeds and capital contributions. The \$6,127,155, or 61.22 percent, increase in restricted net position represents the change in resources that are subject to external restrictions on their use. The \$946,046, or 7.32 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 \$20,795,792 was an increase of 17.73 percent, or \$3,131,963, from the prior year ending fund balance of \$17,663,829.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund amounts to \$4,192,770 and was 42.24 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 15-16) 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, 2021

The next statements (pages 17-23) 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 24. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, required supplementary information (pages 59-63) 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 64-92) 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 and Capital Projects 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, 2021

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 15-16 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, CARES/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, 2021

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 17-20 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, and IT capital purchases 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 two internal service funds, the Technology Replacement Fund and the Vehicle Replacement Fund, which are both considered nonmajor funds.

The basic proprietary fund financial statements can be found on pages 21-23 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 24 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 59-63 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 64-92 of this report.

City of Royse City, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2021

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 \$59,013,520 as of September 30, 2021. The City's net position increased by \$15,116,042, or 34.43 percent for the fiscal year ended September 30, 2021.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 26,375,910	\$ 20,802,834	\$ 26,903,856	\$ 14,153,399	\$ 53,279,766	\$ 34,956,233
Capital assets	25,368,685	21,437,753	20,216,424	20,612,338	45,585,109	42,050,091
Total assets	<u>51,744,595</u>	<u>42,240,587</u>	<u>47,120,280</u>	<u>34,765,737</u>	<u>98,864,875</u>	<u>77,006,324</u>
Deferred outflows of resources	<u>885,998</u>	<u>1,140,317</u>	<u>266,828</u>	<u>254,611</u>	<u>1,152,826</u>	<u>1,394,928</u>
Current liabilities	3,717,227	2,498,550	756,611	1,087,492	4,473,838	3,586,042
Long-term liabilities	18,791,628	19,314,822	17,463,514	10,863,909	36,255,142	30,178,731
Total liabilities	<u>22,508,855</u>	<u>21,813,372</u>	<u>18,220,125</u>	<u>11,951,401</u>	<u>40,728,980</u>	<u>33,764,773</u>
Deferred inflows of resources	<u>238,979</u>	<u>640,989</u>	<u>36,222</u>	<u>98,012</u>	<u>275,201</u>	<u>739,001</u>
Net position						
Net investment in capital assets	16,452,192	9,518,571	12,546,043	11,436,823	28,998,235	20,955,394
Restricted	8,267,584	5,301,986	7,868,784	4,707,227	16,136,368	10,009,213
Unrestricted	5,162,983	6,105,986	8,715,934	6,826,885	13,878,917	12,932,871
Total net position	<u>\$ 29,882,759</u>	<u>\$ 20,926,543</u>	<u>\$ 29,130,761</u>	<u>\$ 22,970,935</u>	<u>\$ 59,013,520</u>	<u>\$ 43,897,478</u>

Net Investment in Capital Assets. A large portion of the City's net position, \$28,998,235, or 49.14 percent, reflects the City's investment in capital 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 \$16,136,368, or 27.34 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 \$13,878,917, or 23.52 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, 2021

The City's overall net position increased \$15,116,042 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 \$8,956,216 from the prior fiscal year for an ending balance of \$29,882,759. The increase in the overall position of governmental activities is the result of continued increases in property tax collections, sales tax collections, licenses and permits fees collections, and grants and contributions due to the City's growing population and continued development while controlling expenses.

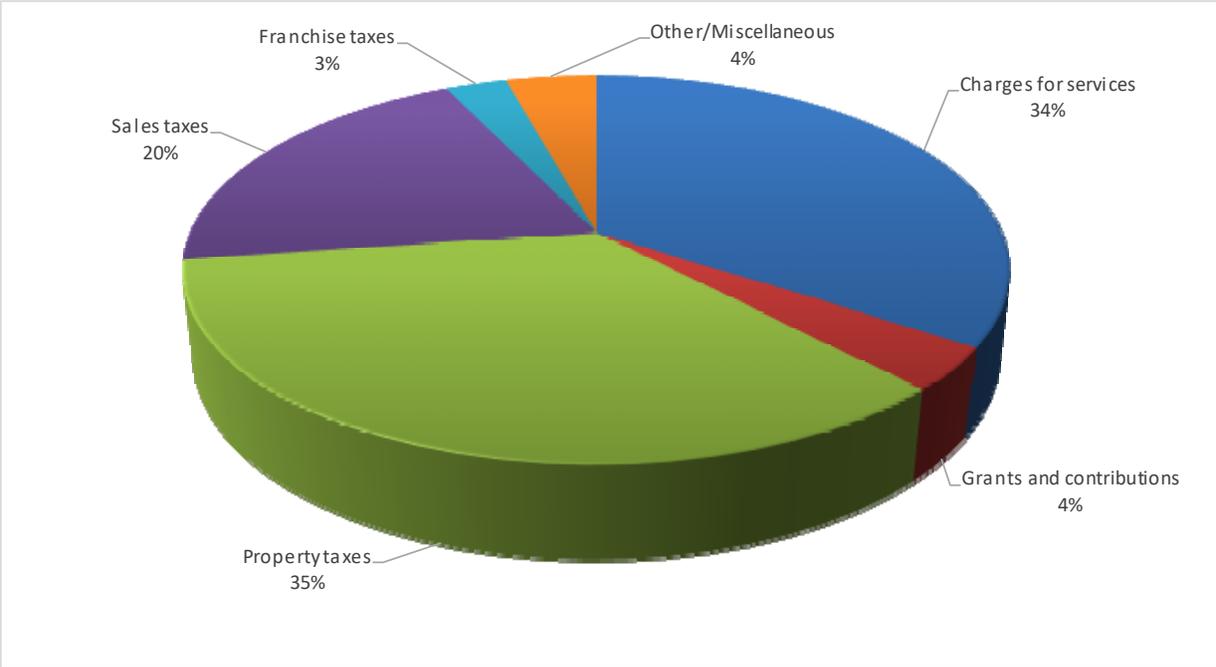
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for services	\$ 5,088,353	\$ 3,850,792	\$ 13,169,933	\$ 7,954,042	\$ 18,258,286	\$ 11,804,834
Operating grants and contributions	557,942	452,549	-	-	557,942	452,549
Capital grants and contributions	1,882,736	593	-	1,510,125	1,882,736	1,510,718
General Revenues						
Property taxes	6,890,533	6,246,392	-	-	6,890,533	6,246,392
Sales taxes	3,921,208	3,171,624	-	-	3,921,208	3,171,624
Franchise taxes	562,573	584,774	-	-	562,573	584,774
Beverage taxes	32,744	13,270	-	-	32,744	13,270
Hotel motel taxes	94,151	71,204	-	-	94,151	71,204
Interest income	52,153	250,969	30,733	104,053	82,886	355,022
Miscellaneous	506,497	298,899	-	125,787	506,497	424,686
Gain (loss) on sale of capital assets	4,301	(90,554)	-	-	4,301	(90,554)
Total revenues	19,593,191	14,850,512	13,200,666	9,694,007	32,793,857	24,544,519
Expenses						
General government	3,270,097	3,015,058	-	-	3,270,097	3,015,058
Public safety	4,712,019	4,265,332	-	-	4,712,019	4,265,332
Public works	820,804	762,373	-	-	820,804	762,373
Community development	1,190,685	1,139,988	-	-	1,190,685	1,139,988
Culture and recreation	1,129,550	638,665	-	-	1,129,550	638,665
Interest on long-term debt	508,104	500,935	-	-	508,104	500,935
Water and sewer services	-	-	6,046,556	5,722,197	6,046,556	5,722,197
Total expenses	11,631,259	10,322,351	6,046,556	5,722,197	17,677,815	16,044,548
Increase in net position						
before transfers and special item	7,961,932	4,528,161	7,154,110	3,971,810	15,116,042	8,499,971
Transfers	994,284	395,245	(994,284)	(395,245)	-	-
Increase in Net Position	8,956,216	4,923,406	6,159,826	3,576,565	15,116,042	8,499,971
Net Position, Beginning	20,926,543	16,003,137	22,970,935	19,394,370	43,897,478	35,397,507
Net Position, Ending	\$ 29,882,759	\$ 20,926,543	\$ 29,130,761	\$ 22,970,935	\$ 59,013,520	\$ 43,897,478

City of Royse City, Texas

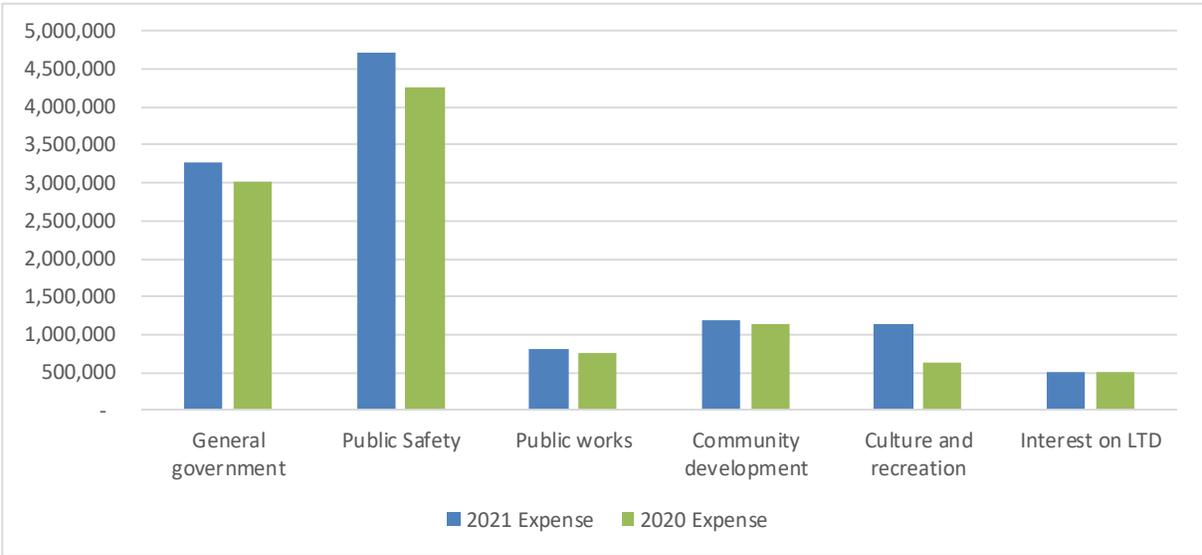
Management’s Discussion and Analysis

For the Year Ended September 30, 2021

Revenues by Source – Governmental Activities



Program Expenses – Governmental Activities



City of Royse City, Texas

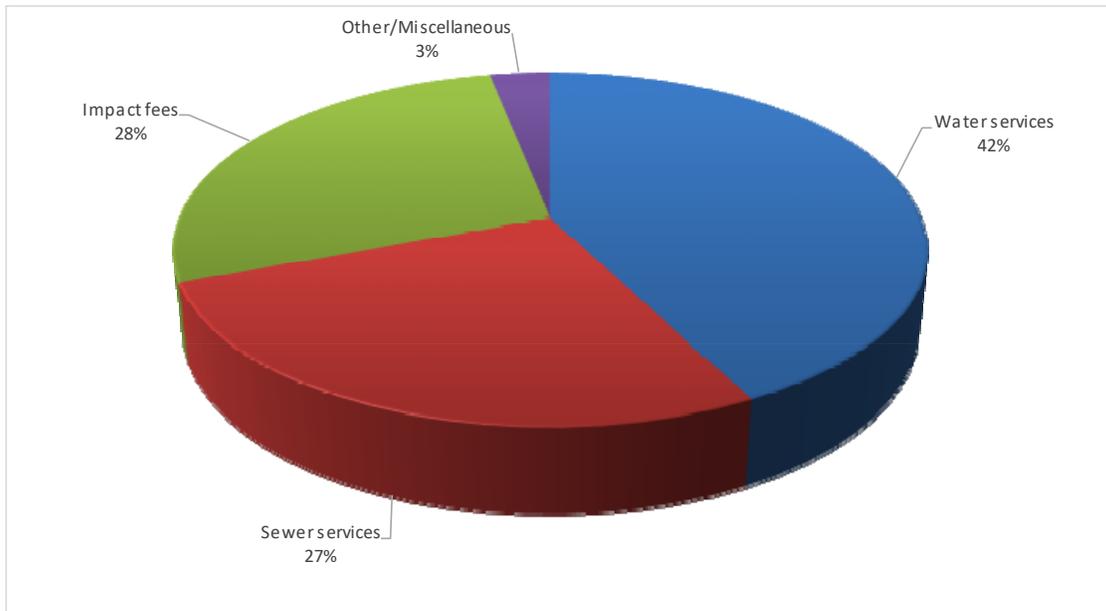
Management's Discussion and Analysis

For the Year Ended September 30, 2021

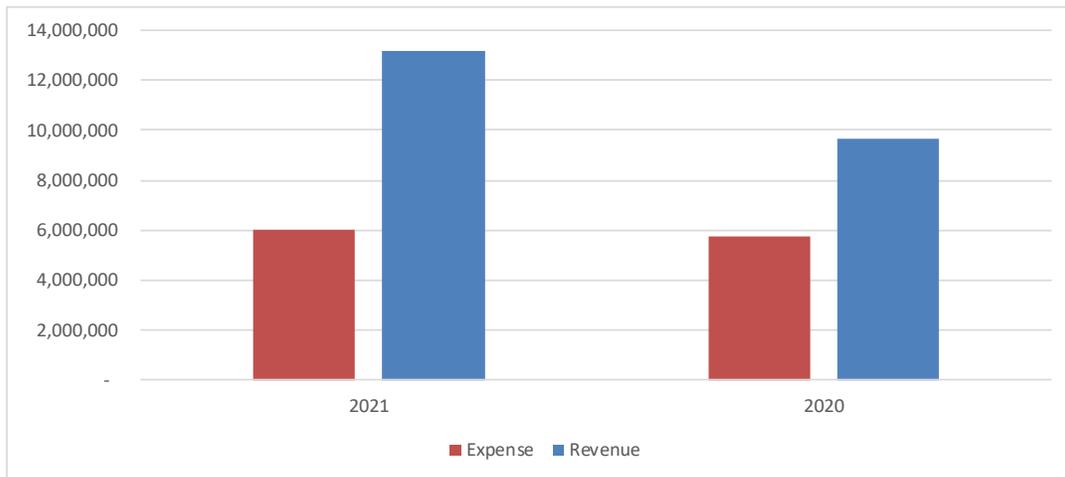
Business-type Activities. Business-type activities increased the City's net position by \$6,159,826. Key elements of this increase are as follows:

- The increase in net position is mostly due to impact fee revenue and increases in charges for services for water and sewer as a result of continued growth of the City.

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, 2021

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, 2021, the City's governmental funds reported combined fund balances of \$20,795,792, an increase of \$3,131,963, or 17.73 percent. The components of total fund balances are as follows:

- Restricted fund balance of \$15,565,631, or 74.85 percent, consists of amounts restricted by external laws or contractual obligations as follows: \$1,459,566 for debt service; \$9,886,934 for construction projects; \$90,751 for municipal courts; \$2,338,543 for roadway fees; \$41,900 for public safety; \$284,769 for tourism; \$936,286 for public improvement; and \$526,882 for community development.
- Assigned fund balance of \$1,037,391 or 5 percent, consists of amounts that are constrained by City Council or the City Manager as follows: \$915,000 for software upgrades for the police department, downtown lighting and parking improvements, and preliminary design of new police facility; \$1,208 for the library; \$5,418 for the senior center; \$15,352 for parks and recreation; \$8,621 for public safety; \$43,824 for Main Street; and \$47,968 for animal control and for animal shelter.
- Unassigned fund balance, \$4,192,770, or 20.16 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 \$4,192,770, compared to \$3,766,197 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 42.24 percent of total General Fund expenditures.

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2021

The fund balance of the City's General Fund increased by \$541,573 during the fiscal year. The increase was due to increases in property tax collections, sales tax collections, licenses and permit fees collections, 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 \$109,895. This was mainly attributed to an increase in property tax collections offset by an increase in scheduled long-term debt payments.

The Bonds Capital Projects Fund had a \$3,143,873 decrease in fund balance during the current fiscal year which was primarily due to the increase in capital outlay.

The CARES/ARPA Grant Fund had a \$336,316 decrease in fund balance during the current fiscal year which was primarily due to transfers of monies to the funds who incurred eligible expenditures.

The General Capital/CIP Fund had a \$3,103,297 increase in fund balance during the current fiscal year which was primarily due to budgeted transfers for future capital outlay.

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 proprietary funds at the end of the fiscal year amounted to \$8,715,934.

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 FY2021. The budget amendment was to adjust appropriations across several funds.

Final Budget Compared to Actual Results. For the fiscal year 2020-2021, General Fund actual revenues of \$14,181,128 exceeded budgeted revenues of \$12,923,100, a positive variance of \$1,255,028. The main reason for this variance was greater than expected of sales tax (\$346,208) and licenses and permits (\$822,096). As for General Fund expenditures, the City spent \$9,925,746, a \$438,104 difference between budget expenditures of \$10,363,850. The main surplus from this budget occurred in general government, public works, and culture and recreation expenditures, which spent \$156,283, \$163,795, and 115,665, respectively, less than the budgeted amount.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021 amounts to \$45,585,109 (net of accumulated depreciation). These assets include land, buildings, improvements, infrastructure, machinery and equipment and construction in progress. The City's governmental capital assets increased by 18.34 percent and the business-type capital assets decreased by 1.92 percent.

City of Royse City, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2021

Major capital asset transactions during the year include the following:

- \$4,381,582 was spent to complete the fire station and place in service.
- \$201,080 was spent for police vehicles and equipment.
- \$106,285 was spent for roof replacement at City Hall.

Capital Assets (Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 2,159,796	\$ 2,159,796	\$ 1,484,387	\$ 1,484,387	\$ 3,644,183	\$ 3,644,183
Construction in progress	81,165	1,790,537	215,692	14,816	296,857	1,805,353
Buildings and improvements	24,628,090	18,300,506	39,551	39,551	24,667,641	18,340,057
Machinery and equipment	5,419,380	5,351,705	664,158	628,238	6,083,538	5,979,943
Infrastructure and systems	-	-	26,309,636	26,260,805	26,309,636	26,260,805
Accumulated depreciation	<u>(6,919,746)</u>	<u>(6,164,791)</u>	<u>(8,497,000)</u>	<u>(7,815,459)</u>	<u>(15,416,746)</u>	<u>(13,980,250)</u>
Total	<u>\$ 25,368,685</u>	<u>\$ 21,437,753</u>	<u>\$ 20,216,424</u>	<u>\$ 20,612,338</u>	<u>\$ 45,585,109</u>	<u>\$ 42,050,091</u>

More detailed information about the City's capital assets can be found in *Note 5* on pages 40-41 of this report.

Long-term Debt. As of September 30, 2021, the City had total long-term debt outstanding of \$33,551,683, an increase of \$5,869,200, or 21.20 percent, from the prior year. All outstanding debt is backed by the full faith and credit of the government. During 2021, the City issued General Obligation Refunding Bonds, Series 2020 in the amount of \$3,565,000 and Certificates of Obligation, Series 2020 in the amount of \$7,590,000.

Outstanding Bonded Debt

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Primary Government Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General obligation bonds	\$ 3,566,004	\$ 3,595,000	\$ 7,253,996	\$ 4,930,000	\$ 10,820,000	\$ 8,525,000
Certificates of obligation	12,031,000	12,773,000	8,519,000	5,397,000	20,550,000	18,170,000
Premiums (discounts) on long term debt	812,193	750,120	1,369,490	237,363	2,181,683	987,483
Totals	<u>\$ 16,409,197</u>	<u>\$ 17,118,120</u>	<u>\$ 17,142,486</u>	<u>\$ 10,564,363</u>	<u>\$ 33,551,683</u>	<u>\$ 27,682,483</u>

More detailed information about the City's long-term debt is presented in *Note 6*, on pages 42-46 of the financial statements.

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2021

Economic Factors and Next Year's Budgets and Rates

Fiscal 2021 was dominated by residential growth and interest in additional subdivision development. Waterscape continued building in Phase 2 and began construction of Phase 3 of its 1000 lot subdivision; Hines Acquisitions began construction of the first phases of a 1000+ lot subdivision, including extension of waterline along SH66. Multiple smaller subdivisions are in various phases of the development process. Commercial, industrial and medical interest is on the rise as well.

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, including a Texas Monthly Top 50 BBQ restaurant that opened its permanent location in FY21.

The largest single revenue source in the fiscal year 2022 General Fund Budget is property taxes, which account for 44% of total revenues. Assessed property values in Royse City increased approximately \$206 million from the prior year, including \$79.4 million in new property entering the tax roll for the first time. Council maintained the tax rate at \$0.6215 per \$100 valuation tax rate for fiscal year 2022. Sales tax revenue remains the City's second largest revenue source, making up 31% of General Fund Revenues. Sales tax was budgeted with a modest 2.5% increase.

The FY22 Annual Budget was prepared being mindful of the continuing impacts of the pandemic but looking forward in a way to increase service to our citizens. New positions were authorized in the police department, code enforcement, animal control, parks, inspections and engineering. Vehicle and technology replacements were implemented. Drainage studies were funded to allow for more permanent street improvements in the old town area as other surface maintenance projects are implemented.

Water/Sewer Fund expenditures were projected to increase 18% in fiscal year 2022 primarily due to increased water charges, wastewater treatment, capital projects and debt service related to a new issue for an interceptor project. Water and Sewer rates remain unchanged; however, a rate study will be conducted in FY22 to evaluate if any changes are necessary.

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, 2021

	Primary Government			Component Unit
	Governmental	Business-type	Total	Royse City
	Activities	Activities		Community Development Corporation
Assets				
Cash and cash equivalents	\$ 24,934,099	\$ 7,703,585	\$ 32,637,684	\$ 3,041,933
Receivables (net of allowances for uncollectibles)	1,441,811	1,350,955	2,792,766	281,807
Restricted cash and cash equivalents	-	17,849,316	17,849,316	-
Capital assets not being depreciated	2,240,961	1,700,079	3,941,040	981,698
Capital assets, net of accumulated depreciation	23,127,724	18,516,345	41,644,069	36,220
Total assets	<u>51,744,595</u>	<u>47,120,280</u>	<u>98,864,875</u>	<u>4,341,658</u>
Deferred Outflows of Resources				
Deferred outflows of resources – Pension	818,888	124,118	943,006	30,470
Deferred outflows of resources – OPEB	37,183	5,636	42,819	1,384
Deferred loss on refunding	29,927	137,074	167,001	-
Total deferred outflows of resources	<u>885,998</u>	<u>266,828</u>	<u>1,152,826</u>	<u>31,854</u>
Liabilities				
Accounts payable	813,537	36,012	849,549	-
Accrued liabilities	742,434	22,622	765,056	3,031
Accrued interest payable	61,459	52,476	113,935	-
Unearned revenue	1,821,475	-	1,821,475	-
Other liabilities	278,322	-	278,322	-
Customer deposits	-	645,501	645,501	-
Noncurrent liabilities:				
Due within one year				
Compensated absences	33,411	1,061	34,472	724
Certificates of obligation	870,000	165,000	1,035,000	-
Bonds payable	617,648	982,900	1,600,548	-
Due in more than one year				
Compensated absences	301,001	9,551	310,552	6,516
Certificates of obligation	11,161,000	8,354,000	19,515,000	-
Bonds payable	3,760,549	7,640,586	11,401,135	-
Net pension liability	1,893,513	286,998	2,180,511	70,454
Total OPEB liability	154,506	23,418	177,924	5,749
Total liabilities	<u>22,508,855</u>	<u>18,220,125</u>	<u>40,728,980</u>	<u>86,474</u>
Deferred Inflows of Resources				
Deferred inflows of resources – Pension	232,883	35,298	268,181	8,665
Deferred inflows of resources – OPEB	6,096	924	7,020	227
Total deferred inflows of resources	<u>238,979</u>	<u>36,222</u>	<u>275,201</u>	<u>8,892</u>
Net Position				
Net investment in capital assets	16,452,192	12,546,043	28,998,235	-
Restricted for:				
Debt service	1,459,566	-	1,459,566	-
Capital projects	2,588,887	-	2,588,887	-
Impact fees	2,338,543	7,868,784	10,207,327	-
Other purposes	1,880,588	-	1,880,588	4,278,146
Unrestricted	5,162,983	8,715,934	13,878,917	-
Total net position	<u>\$ 29,882,759</u>	<u>\$ 29,130,761</u>	<u>\$ 59,013,520</u>	<u>\$ 4,278,146</u>

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

	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			Royse City Community Development Corporation
					Governmental Activities	Business-type Activities	Total	
Function/Program:								
Primary Government:								
Governmental activities:								
General government	\$ 3,270,097	\$ 254,398	\$ 303,055	\$ 145,903	\$ (2,566,741)	\$ -	\$ (2,566,741)	\$ -
Public safety	4,712,019	795,844	10,639	-	(3,905,536)	-	(3,905,536)	-
Public works	820,804	1,244,576	-	-	423,772	-	423,772	-
Community development	1,190,685	2,680,669	240,568	1,736,833	3,467,385	-	3,467,385	-
Culture and recreation	1,129,550	112,866	3,680	-	(1,013,004)	-	(1,013,004)	-
Interest on long-term debt	508,104	-	-	-	(508,104)	-	(508,104)	-
Total governmental activities	11,631,259	5,088,353	557,942	1,882,736	(4,102,228)	-	(4,102,228)	-
Water and wastewater	6,046,556	13,169,933	-	-	-	7,123,377	7,123,377	-
Total business-type activities	6,046,556	13,169,933	-	-	-	7,123,377	7,123,377	-
Total primary government	\$ 17,677,815	\$ 18,258,286	\$ 557,942	\$ 1,882,736	(4,102,228)	7,123,377	3,021,149	-
Component Unit:								
Royse City Community Development Corporation	\$ 720,781	\$ -	\$ -	\$ -				\$ (720,781)
Total component unit	\$ 720,781	\$ -	\$ -	\$ -				\$ (720,781)
General Revenues								
Property taxes					6,890,533	-	6,890,533	-
Sales taxes					3,921,208	-	3,921,208	1,499,208
Franchise taxes					562,573	-	562,573	-
Beverage taxes					32,744	-	32,744	-
Hotel motel taxes					94,151	-	94,151	-
Investment earnings					52,153	30,733	82,886	8,378
Miscellaneous					506,497	-	506,497	35,455
Gain on sale of capital assets					4,301	-	4,301	-
Transfers					994,284	(994,284)	-	-
Total general revenues and transfers					13,058,444	(963,551)	12,094,893	1,543,041
Change in net position					8,956,216	6,159,826	15,116,042	822,260
Net Position, Beginning of Year					20,926,543	22,970,935	43,897,478	3,455,886
Net Position, End of Year					\$ 29,882,759	\$ 29,130,761	\$ 59,013,520	\$ 4,278,146

City of Royse City, Texas
Balance Sheet – Governmental Funds
September 30, 2021

	General Fund	Debt Service Fund	Bonds Capital Projects Fund	CARES/ ARPA Grant Fund	General Capital/CIP Fund	Total Nonmajor Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 5,194,068	\$ 1,461,962	\$ 2,406,047	\$ 1,821,475	\$ 4,922,044	\$ 7,419,837	\$ 23,225,433
Receivables (net of allowance for uncollectibles)	1,365,059	32,341	2,144	-	4,301	7,117	1,410,962
Due from other funds	-	-	6,894	-	-	-	6,894
Total assets	<u>\$ 6,559,127</u>	<u>\$ 1,494,303</u>	<u>\$ 2,415,085</u>	<u>\$ 1,821,475</u>	<u>\$ 4,926,345</u>	<u>\$ 7,426,954</u>	<u>\$ 24,643,289</u>
Liabilities							
Accounts payable	703,711	-	33,399	-	9,984	66,443	813,537
Accrued liabilities	312,332	-	-	-	-	430,102	742,434
Unearned revenue	-	-	-	1,821,475	-	-	1,821,475
Due to other funds	-	6,894	-	-	-	-	6,894
Other liabilities	278,322	-	-	-	-	-	278,322
Total liabilities	<u>1,294,365</u>	<u>6,894</u>	<u>33,399</u>	<u>1,821,475</u>	<u>9,984</u>	<u>496,545</u>	<u>3,662,662</u>
Deferred Inflows of Resources							
Unavailable revenue – property taxes	66,544	27,843	-	-	-	-	94,387
Unavailable revenue – fines	90,448	-	-	-	-	-	90,448
Total deferred inflows of resources	<u>156,992</u>	<u>27,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,835</u>
Fund Balances							
Restricted	-	1,459,566	2,381,686	-	4,916,361	6,808,018	15,565,631
Assigned	915,000	-	-	-	-	122,391	1,037,391
Unassigned	4,192,770	-	-	-	-	-	4,192,770
Total fund balances	<u>5,107,770</u>	<u>1,459,566</u>	<u>2,381,686</u>	<u>-</u>	<u>4,916,361</u>	<u>6,930,409</u>	<u>20,795,792</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,559,127</u>	<u>\$ 1,494,303</u>	<u>\$ 2,415,085</u>	<u>\$ 1,821,475</u>	<u>\$ 4,926,345</u>	<u>\$ 7,426,954</u>	<u>\$ 24,643,289</u>

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

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

Total fund balance – governmental funds		\$ 20,795,792
Capital assets \$32,288,431, net of accumulated depreciation of \$6,919,746, used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.		25,368,685
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	818,888	
Deferred outflows – OPEB related	37,183	
Deferred inflows – pension related	(232,883)	
Deferred inflows – OPEB related	(6,096)	
Total deferred outflows and inflows related to postemployment benefits	617,092	617,092
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.		1,739,515
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.		
Certificates of obligation	(12,031,000)	
Bonds payable, net	(4,378,197)	
Compensated absences	(334,412)	
Accrued interest payable	(61,459)	
Net pension liability	(1,893,513)	
Total OPEB liability	(154,506)	
Total long-term liabilities	(18,853,087)	(18,853,087)
Revenues in the statements of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.		184,835
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		29,927
Net position of governmental activities		\$ 29,882,759

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

	General Fund	Debt Service Fund	Bonds Capital Projects Fund	CARES/ ARPA Grant Fund	General Capital/CIP Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues							
Taxes							
Property	\$ 4,857,133	\$ 2,054,963	\$ -	\$ -	\$ -	\$ 50,440	\$ 6,962,536
Franchise	562,573	-	-	-	-	-	562,573
Sales	3,921,208	-	-	-	-	-	3,921,208
Beverage	32,744	-	-	-	-	-	32,744
Hotel motel	-	-	-	-	-	94,151	94,151
Fines and forfeitures	230,971	-	-	-	-	16,034	247,005
Licenses and permits	3,337,096	-	-	-	-	-	3,337,096
Charges for services	759,927	-	-	-	-	-	759,927
Impact fees	-	-	-	-	-	823,798	823,798
Contributions and donations	120,903	-	-	-	25,000	1,787,143	1,933,046
Intergovernmental	208,787	-	-	298,845	-	-	507,632
Investment income	18,931	2,167	7,311	-	7,595	14,811	50,815
Miscellaneous	130,855	-	-	-	-	306,048	436,903
Total revenues	14,181,128	2,057,130	7,311	298,845	32,595	3,092,425	19,669,434
Expenditures							
Current							
General government	2,950,867	-	-	13,970	-	150,622	3,115,459
Public safety	4,335,760	-	-	-	3,754	25,311	4,364,825
Public works	418,105	-	-	-	-	40,344	458,449
Community development	1,185,210	-	-	-	-	-	1,185,210
Culture and recreation	1,020,285	-	-	-	5,101	22,540	1,047,926
Environmental services	-	-	-	-	-	-	-
Debt service							
Principal	-	1,394,000	-	-	-	-	1,394,000
Interest	-	553,235	-	-	-	-	553,235
Bond issuance cost	-	-	8,785	-	-	-	8,785
Capital outlay	15,519	-	4,656,876	-	66,833	-	4,739,228
Total expenditures	9,925,746	1,947,235	4,665,661	13,970	75,688	238,817	16,867,117
Excess (deficiency) of revenues over (under) expenditures	4,255,382	109,895	(4,658,350)	284,875	(43,093)	2,853,608	2,802,317
Other Financing Sources (Uses)							
Sale of capital assets	-	-	-	-	4,301	-	4,301
Insurance proceeds	-	-	-	-	12,371	3,779	16,150
Issuance of long-term debt	-	-	660,000	-	-	-	660,000
Premium on issuance of debt	-	-	81,126	-	-	-	81,126
Refunding bonds issued	-	-	340,101	-	-	-	340,101
Premium on issuance of refunded debt	-	-	52,360	-	-	-	52,360
Payment to refunded bond escrow agent	-	-	(383,676)	-	-	-	(383,676)
Transfers in	921,191	-	764,566	-	3,200,000	-	4,885,757
Transfers out	(4,635,000)	-	-	(621,191)	(70,282)	-	(5,326,473)
Total other financing sources (uses)	(3,713,809)	-	1,514,477	(621,191)	3,146,390	3,779	329,646
Net Change in Fund Balances	541,573	109,895	(3,143,873)	(336,316)	3,103,297	2,857,387	3,131,963
Fund Balances, Beginning	4,566,197	1,349,671	5,525,559	336,316	1,813,064	4,073,022	17,663,829
Fund Balances, Ending	\$ 5,107,770	\$ 1,459,566	\$ 2,381,686	\$ -	\$ 4,916,361	\$ 6,930,409	\$ 20,795,792

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, 2021

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

Net change in fund balances – total governmental funds	\$	3,131,963
<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 \$4,819,292 exceeded depreciation of \$888,360 in the current year.</p>		
		3,930,932
<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>		
		(151,476)
<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>		
Issuance of long-term debt	(660,000)	
Payment to refunded bond escrow agent	383,676	
Issuance of refunded debt	(340,101)	
Premium on issuance of debt	(81,126)	
Premium on refunded debt	(52,360)	
Principal paid on long-term debt	1,394,000	
		644,089
<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>		
		1,409,718
<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>		
Accrued interest on long-term debt	(12,390)	
Amortization of bond premiums and discounts	71,413	
Amortization of deferred amounts of refunding	(5,107)	
Compensated absences	(57,888)	
Changes in pension liabilities and related deferred outflows and inflows of resources	17,877	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	(22,915)	
		(9,010)
Change in net position of governmental activities	\$	8,956,216

City of Royse City, Texas
Statement of Net Position – Proprietary Funds
September 30, 2021

	Enterprise Fund	Internal
	Water and Sewer Fund	Service Funds
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,703,585	\$ 1,708,666
Receivables (net of allowance for doubtful accounts)	1,350,955	30,849
Restricted cash and cash equivalents	17,849,316	-
Total current assets	26,903,856	1,739,515
Capital assets		
Land	1,484,387	-
Buildings	39,551	-
Machinery and equipment	664,158	-
Infrastructure	26,309,636	-
Construction in progress	215,692	-
Accumulated depreciation	(8,497,000)	-
Total noncurrent assets	20,216,424	-
Total assets	47,120,280	1,739,515
Deferred Outflows of Resources		
Deferred outflows of resources – Pension	124,118	-
Deferred outflows of resources – OPEB	5,636	-
Deferred loss on refunding	137,074	-
Total deferred outflows of resources	266,828	-
Accrued Liabilities		
Current Liabilities		
Accounts payable	36,012	-
Accrued liabilities	22,622	-
Accrued interest payable	52,476	-
Customer deposits	645,501	-
Compensated absences	1,061	-
Certificates of obligation – current	165,000	-
Bonds payable – current	982,900	-
Total current liabilities	1,905,572	-
Noncurrent Liabilities		
Compensated absences	9,551	-
Certificates of obligation, net	8,354,000	-
Bonds payable, net	7,640,586	-
Net pension liability	286,998	-
Total OPEB liability	23,418	-
Total noncurrent liabilities	16,314,553	-
Total liabilities	18,220,125	-
Deferred Inflows of Resources		
Deferred inflows of resources – Pension	35,298	-
Deferred inflows of resources – OPEB	924	-
Total deferred outflows of resources	36,222	-
Net Position		
Net investment in capital assets	12,546,043	-
Restricted for:		
Impact fees	7,868,784	-
Unrestricted	8,715,934	1,739,515
Total net position	\$ 29,130,761	\$ 1,739,515

City of Royse City, Texas
Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
For the Year Ended September 30, 2021

	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Water and</u>	<u>Service</u>
	<u>Sewer Fund</u>	<u>Funds</u>
Operating Revenues		
Charges for services – water	\$ 5,601,379	\$ -
Charges for services – sewer	3,509,175	-
Impact fees	3,655,800	-
Miscellaneous	403,579	30,849
	<hr/>	<hr/>
Total operating revenues	13,169,933	30,849
	<hr/>	<hr/>
Operating Expenses		
Personnel services	682,336	-
Materials and supplies	174,345	-
Repairs and maintenance	674,110	-
Water purchases	1,738,201	-
Contractual services	234,182	-
Interceptor services	1,387,386	-
Depreciation	681,541	-
Other expense	-	80,064
	<hr/>	<hr/>
Total operating expenses	5,572,101	80,064
	<hr/>	<hr/>
Operating income (loss)	7,597,832	(49,215)
	<hr/>	<hr/>
Nonoperating Revenues (Expenses)		
Investment earnings	30,733	1,338
Interest expense	(394,054)	-
Insurance proceeds	-	22,595
Bond issuance costs	(80,401)	-
	<hr/>	<hr/>
Total nonoperating revenues (expenses)	(443,722)	23,933
	<hr/>	<hr/>
Income (loss) before capital contributions and transfers	7,154,110	(25,282)
Transfers in	-	1,435,000
Transfers out	(994,284)	-
	<hr/>	<hr/>
Change in Net Position	6,159,826	1,409,718
	<hr/>	<hr/>
Net Position, Beginning	22,970,935	329,797
	<hr/>	<hr/>
Net Position, Ending	<u>\$ 29,130,761</u>	<u>\$ 1,739,515</u>

City of Royse City, Texas
Statement of Cash Flows – Proprietary Funds
For the Year Ended September 30, 2021

	<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	\$ 12,928,012	\$ -
Receipt of customer deposits	103,800	-
Payments to suppliers for goods and services	(4,647,227)	(91,513)
Payments to employees for salaries and benefits	(680,555)	-
Net cash provided by (used in) operating activities	<u>7,704,030</u>	<u>(91,513)</u>
Noncapital and Related Financing Activities		
Transfers from other funds	-	1,435,000
Transfers to other funds	(994,284)	-
Net cash provided by (used in) operating activities	<u>(994,284)</u>	<u>1,435,000</u>
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(285,627)	-
Proceeds from issuance of debt	7,705,424	-
Principal paid on capital debt	(1,127,301)	-
Interest and fiscal charges paid on capital debt	(472,434)	-
Other capital receipts	-	22,595
Net cash provided by capital and related financing activities	<u>5,820,062</u>	<u>22,595</u>
Investing Activities		
Interest on investments	30,733	1,338
Net cash provided by investing activities	<u>30,733</u>	<u>1,338</u>
Net increase in cash and cash equivalents	12,560,541	1,367,420
Cash and Cash Equivalents, Beginning of Year (Including \$6,239,193 Reported as Restricted Assets)	<u>13,044,365</u>	<u>341,246</u>
Cash and Cash Equivalents, End of Year (Including \$17,849,316 Reported as Restricted Assets)	<u>\$ 25,604,906</u>	<u>\$ 1,708,666</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 7,597,832	\$ (49,215)
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	681,541	-
(Increases) decreases in assets and deferred outflows of resources:		
Accounts receivable and unbilled revenue	(241,921)	(30,849)
Deferred outflows of resources	36,864	-
Increases (decreases) in liabilities and deferred inflows of resources:		
Accounts payable	(433,273)	(11,449)
Accrued liabilities	(5,730)	-
Customer deposits	103,800	-
Compensated absences	(4,079)	-
OPEB liability	10,973	-
Deferred inflows of resources	(56,567)	-
Total adjustments	<u>106,198</u>	<u>(42,298)</u>
Net cash provided by (used in) operating activities	<u>\$ 7,704,030</u>	<u>\$ (91,513)</u>
Schedule of Non-cash Capital and Related Financing Activities		
Proceeds from issuance of refunding debt paid directly to escrow agent	\$ 3,690,401	\$ -
Principal and fiscal charges paid on refunded debt	(3,690,401)	-

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Notes to Basic Financial Statements

City of Royse City, Texas

Notes to Financial Statements

September 30, 2021

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 sewer waste 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, 2021 are not issued.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2021

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

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

City of Royse City, Texas

Notes to Financial Statements

September 30, 2021

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.

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 and Vehicle Replacement* – are used to account for funding vehicle, equipment, and IT capital purchases 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.

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.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2021

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.

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
- CARES/ARPA Grant
- Animal Shelter New Building
- Battle of the Badges
- Union Square Public Improvement District
- Waterscape Public Improvement District
- Special Escrow

City of Royse City, Texas
Notes to Financial Statements
September 30, 2021

Nonmajor Capital Project Funds, when present 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.

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

City of Royse City, Texas
Notes to Financial Statements
September 30, 2021

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	\$ 9,335,031
Impact fees	7,868,784
Customer deposits	645,501
Total Restricted Assets	\$ 17,849,316

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 two years. 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:

Capital Asset Class	Lives (in Years)
Buildings and improvements	7 – 30
System infrastructure	20 – 40
Vehicles	4 – 20
Office furniture and equipment	5
Machinery and equipment	10

Unearned Revenue

In the governmental activities and CARES/ARPA Grant Fund, unearned revenue of \$1,821,475 represents intergovernmental monies received in advance as part of the Coronavirus State and Local Fiscal Recovery Funds program during fiscal year 2021. The City did not spend any of these funds during fiscal year 2021 and will recognize revenue as qualifying expenses are incurred.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2021

Deferred Outflows/Inflows of Resources

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

City of Royse City, Texas

Notes to Financial Statements

September 30, 2021

- 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.

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 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 at the close of the fiscal year end in the government-wide and proprietary fund 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, 2021

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.

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.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2021

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, 2021, the City was in compliance with this policy as unassigned fund balance in the General Fund was equal to 42 percent of current year expenditures.

	General Fund	Debt Service	Capital Projects Fund	General Capital/CIP Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for						
Debt service	\$ -	\$ 1,459,566	\$ -	\$ -	\$ -	\$ 1,459,566
Capital projects	-	-	2,381,686	4,916,361	2,588,887	9,886,934
Roadway fees	-	-	-	-	2,338,543	2,338,543
Police	-	-	-	-	41,900	41,900
Municipal court use	-	-	-	-	90,751	90,751
Hotel motel use	-	-	-	-	284,769	284,769
Public improvement	-	-	-	-	936,286	936,286
Community development	-	-	-	-	526,882	526,882
Assigned						
General government	100,000	-	-	-	-	100,000
Library	-	-	-	-	1,208	1,208
Senior center	-	-	-	-	5,418	5,418
Parks and recreation	-	-	-	-	15,352	15,352
Public safety	815,000	-	-	-	8,621	823,621
Public works	-	-	-	-	43,824	43,824
Animal control	-	-	-	-	47,968	47,968
Unassigned	4,192,770	-	-	-	-	4,192,770
Total	<u>\$ 5,107,770</u>	<u>\$ 1,459,566</u>	<u>\$ 2,381,686</u>	<u>\$ 4,916,361</u>	<u>\$ 6,930,409</u>	<u>\$ 20,795,792</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. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Position.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2021

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.

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.

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.

City of Royse City, Texas

Notes to Financial Statements

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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.

Adoption of New Accounting Standards

GASB Statement No. 84 (GASB 84), *Fiduciary Activities*. This statement established criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. The agency fund designation will no longer be used. GASB 84 also provides guidance on fiduciary fund statements and timing of recognition of a liability to beneficiaries. Implementation of GASB 84 had no material impact on the City.

GASB Statement No. 97 (GASB 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Implementation of GASB 97 had no material impact on the City.

Future Change in Accounting Principles

GASB Statement No. 87 (GASB 87), *Leases*, is effective for the City's fiscal year 2022. This new Statement establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. GASB 87 includes the accounting guidance for both lessees and lessors. The City expects to apply GASB 87 using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. The impact of applying the Statement has not been determined.

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GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, is effective for the City's fiscal year 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

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, 2021, the carrying amount of the City's deposits (cash and interest-bearing savings accounts) was \$18,395,982 and the bank balances totaled \$18,794,787. At September 30, 2021, the carrying amount of the Corporation's cash and cash equivalents was \$3,041,933 and the bank balances totaled \$3,086,660.

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, 2021, 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.

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 5 years.
2. Direct obligations of the state of Texas or its agencies and instrumentalities.

City of Royse City, Texas
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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.

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.

City of Royse City, Texas
Notes to Financial Statements
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Fair Value of Investments

As of September 30, 2021, 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	\$ 32,091,018	\$ -	-	\$ -
Total investments	<u>\$ 32,091,018</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, 2021, 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.

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.

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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, 2021, the City had a tax rate of \$0.62150 per \$100 assessed valuation based upon the maximum rates described above. Allocations of property tax levy by purpose for 2021 are as follows (amounts per \$100 assessed value):

Fund Type	2021
General Fund	\$ 0.43800
Debt Service Fund	0.18350
Total	\$ 0.62150

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, bonds capital projects fund, general capital/CIP fund, nonmajor governmental funds, and water and sewer fund including the applicable allowances for uncollectible accounts, as of September 30, 2021, are as follows:

	General Fund	Debt Service Fund	Bonds Capital Projects Fund	General Capital/CIP Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Vehicle Replacement Fund	Total
Receivables:								
Ad valorem taxes	\$ 106,636	\$ 44,675	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 151,311
Sales taxes	845,421	-	-	-	-	-	-	845,421
Court fines	543,258	-	-	-	-	-	-	543,258
Charges for services	-	-	-	-	-	1,760,080	-	1,760,080
Other	327,544	-	2,144	4,301	7,117	-	30,849	371,955
Gross receivables	1,822,859	44,675	2,144	4,301	7,117	1,760,080	30,849	3,672,025
Less: allowance for doubtful accounts	(457,800)	(12,334)	-	-	-	(409,125)	-	(879,259)
Net receivables	\$ 1,365,059	\$ 32,341	\$ 2,144	\$ 4,301	\$ 7,117	\$ 1,350,955	\$ 30,849	\$ 2,792,766

City of Royse City, Texas
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Note 5: Capital Assets

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 2,159,796	\$ -	\$ -	\$ -	\$ 2,159,796
Construction in progress	1,790,537	4,462,747	-	(6,172,119)	81,165
Total capital assets not being depreciated	3,950,333	4,462,747	-	(6,172,119)	2,240,961
Capital assets being depreciated:					
Buildings and improvements	18,300,506	155,465	-	6,172,119	24,628,090
Machinery and equipment	1,238,288	-	-	-	1,238,288
Vehicles	4,113,417	201,080	(133,405)	-	4,181,092
Totals capital assets being depreciated	23,652,211	356,545	(133,405)	6,172,119	30,047,470
Less accumulated depreciation for:					
Buildings and improvements	(3,159,795)	(523,708)	-	-	(3,683,503)
Machinery and equipment	(880,127)	(63,044)	-	-	(943,171)
Vehicles	(2,124,869)	(301,608)	133,405	-	(2,293,072)
Total accumulated depreciation	(6,164,791)	(888,360)	133,405	-	(6,919,746)
Total capital assets, being depreciated, net	\$ 21,437,753	\$ 3,930,932	\$ -	\$ -	\$ 25,368,685
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 1,484,387	\$ -	\$ -	\$ -	\$ 1,484,387
Construction in progress	14,816	200,876	-	-	215,692
Total capital assets not being depreciated	1,499,203	200,876	-	-	1,700,079
Capital assets being depreciated:					
Buildings and improvements	39,551	-	-	-	39,551
Water and sewer system	26,260,805	48,831	-	-	26,309,636
Machinery and equipment	628,238	35,920	-	-	664,158
Totals capital assets being depreciated	26,928,594	84,751	-	-	27,013,345
Less accumulated depreciation for:					
Buildings and improvements	(39,551)	-	-	-	(39,551)
Water and sewer system	(7,243,864)	(657,131)	-	-	(7,900,995)
Machinery and equipment	(532,044)	(24,410)	-	-	(556,454)
Total accumulated depreciation	(7,815,459)	(681,541)	-	-	(8,497,000)
Total capital assets, being depreciated, net	\$ 20,612,338	\$ (395,914)	\$ -	\$ -	\$ 20,216,424

City of Royse City, Texas
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	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component Unit					
Capital assets not being depreciated:					
Land	\$ 99,999	\$ 881,699	\$ -	\$ -	\$ 981,698
Total capital assets not being depreciated	<u>99,999</u>	<u>881,699</u>	<u>-</u>	<u>-</u>	<u>981,698</u>
Capital assets being depreciated:					
Buildings and improvements	181,100	-	-	-	181,100
Totals capital assets being depreciated	<u>181,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,100</u>
Less accumulated depreciation for:					
Buildings and improvements	(141,258)	(3,622)	-	-	(144,880)
Total accumulated depreciation	<u>(141,258)</u>	<u>(3,622)</u>	<u>-</u>	<u>-</u>	<u>(144,880)</u>
Total capital assets, being depreciated, net	<u>\$ 139,841</u>	<u>\$ 878,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,918</u>

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

Governmental Activities

General Government	\$ 80,268
Public Safety	356,554
Public Works	362,898
Community Development	6,764
Culture and Recreation	81,876
	<u>81,876</u>

Total depreciation expense – governmental activities \$ 888,360

Business-type Activities

Water and Sewer	\$ 681,541
	<u>681,541</u>

Total depreciation expense – business-type activities \$ 681,541

Component Unit

Royse City Community Development Corporation	\$ 3,622
	<u>3,622</u>

Total depreciation expense – component unit \$ 3,622

City of Royse City, Texas
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Note 6: Long-term Debt

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2021, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 3,595,000	\$ 340,101	\$ (369,097)	\$ 3,566,004	\$ 546,235
Certificates of obligation	12,773,000	660,000	(1,402,000)	12,031,000	870,000
Total	16,368,000	1,000,101	(1,771,097)	15,597,004	1,416,235
Premium on bonds	750,120	133,486	(71,413)	812,193	71,413
Total bonds payable	17,118,120	1,133,587	(1,842,510)	16,409,197	1,487,648
Compensated absences	276,524	209,892	(152,004)	334,412	33,411
Governmental activity long-term liability	<u>\$ 17,394,644</u>	<u>\$ 1,343,479</u>	<u>\$ (1,994,514)</u>	<u>\$ 16,743,609</u>	<u>\$ 1,521,059</u>
Business-type Activities					
General obligation bonds	\$ 4,930,000	\$ 3,224,899	\$ (900,903)	\$ 7,253,996	\$ 883,765
Certificates of obligation	5,397,000	6,930,000	(3,808,000)	8,519,000	165,000
Total	10,327,000	10,154,899	(4,708,903)	15,772,996	1,048,765
Premium on bonds	277,115	1,191,510	(99,135)	1,369,490	99,135
Discount on bonds	(39,752)	-	39,752	-	-
Total bonds payable	10,564,363	11,346,409	(4,768,286)	17,142,486	1,147,900
Compensated absences	14,692	6,457	(10,537)	10,612	1,061
Total business-type activities	<u>\$ 10,579,055</u>	<u>\$ 11,352,866</u>	<u>\$ (4,778,823)</u>	<u>\$ 17,153,098</u>	<u>\$ 1,148,961</u>
Component Unit					
Compensated absences	<u>\$ -</u>	<u>\$ 16,193</u>	<u>\$ (8,953)</u>	<u>\$ 7,240</u>	<u>\$ 724</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
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Changes in Governmental Long-Term Debt

	Interest Rate Payable	Original Amounts Issued	Amounts Outstanding September 30,		Retired/Refunded	Amounts Outstanding September 30,		Due Within One Year
			2020	Issued		2021		
2006 Certificates of Obligation	4.03%	\$ 1,875,000	\$ 770,000	\$ -	\$ (115,000)	\$ 655,000	\$ 120,000	
2011 Certificates of Obligation	3.25%	535,000	380,000	-	(380,000)	-	-	
2016 Certificates of Obligation	2-3%	1,915,000	1,335,000	-	(160,000)	1,175,000	140,000	
2017 GO Refunding	1-4%	4,675,000	3,595,000	-	(340,000)	3,255,000	520,000	
2017 Certificates of Obligation	3.05%	3,190,000	2,688,000	-	(182,000)	2,506,000	120,000	
2018 Certificates of Obligation	3-4%	3,265,000	2,745,000	-	(270,000)	2,475,000	180,000	
2019 Certificates of Obligation	2-4%	5,005,000	4,855,000	-	(175,000)	4,680,000	195,000	
2020 GO Refunding	2-5%	340,101	-	340,101	(29,097)	311,004	26,235	
2020 Certificates of Obligation	2-5%	660,000	-	660,000	(120,000)	540,000	115,000	
Total bonds payable		<u>\$ 21,460,101</u>	<u>\$ 16,368,000</u>	<u>\$ 1,000,101</u>	<u>\$ (1,771,097)</u>	<u>\$ 15,597,004</u>	<u>\$ 1,416,235</u>	

A description of each debt series follows:

\$1,875,000 Combination Tax and Revenue Certificates of Obligation, Series 2006, issued for the purpose of acquiring, renovating, improving, and equipping a building to be used as a City Hall.

\$535,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2011, refunded in fiscal year 2021.

\$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.

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

\$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.

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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.

\$340,101 General Obligation Refunding Bonds, Series 2020, issued for the purpose of refunding a portion of the City’s outstanding debt. As a result of the current refunding, the City decreased total debt service payments over the next 13 years by \$59,178, obtained an economic gain of \$54,978, and recorded a deferred amount on refunding of \$3,676.

\$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.

Long-term debt services requirements are as follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2022	\$ 1,416,235	\$ 526,155	\$ 1,942,390
2023	1,447,189	486,426	1,933,615
2024	1,410,143	437,533	1,847,676
2025	1,457,574	389,215	1,846,789
2026	1,520,528	332,140	1,852,668
2027-2031	3,815,255	1,040,245	4,855,500
2032-2036	3,162,080	514,542	3,676,622
2037-2041	<u>1,368,000</u>	<u>73,644</u>	<u>1,441,644</u>
Totals	<u>\$ 15,597,004</u>	<u>\$ 3,799,900</u>	<u>\$ 19,396,904</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			Amounts Outstanding September 30, 2021	Due Within One Year
			September 30, 2020	Issued	Retired		
2010 Certificates of Obligation	2-4.5%	\$ 3,690,000	\$ 2,435,000	\$ -	\$ (2,435,000)	\$ -	\$ -
2013 Certificates of Obligation	2-3%	1,585,000	1,175,000	-	(1,175,000)	-	-
2014 GO Refunding Bonds	1.5-3.5%	4,695,000	2,715,000	-	(340,000)	2,375,000	350,000
2016 Certificates of Obligation	2-3%	575,000	480,000	-	(25,000)	455,000	25,000
2017 GO Refunding Bonds	3.05-4%	2,970,000	2,215,000	-	(285,000)	1,930,000	285,000
2017 Certificates of Obligation	3.00%	1,460,000	1,307,000	-	(58,000)	1,249,000	60,000
2020 GO Refunding Bonds	3.05-4%	3,224,899	-	3,224,899	(275,903)	2,948,996	248,765
2020 Certificates of Obligation	2-5%	6,930,000	-	6,930,000	(115,000)	6,815,000	80,000
Total bonds payable		<u>\$ 25,129,899</u>	<u>\$ 10,327,000</u>	<u>\$ 10,154,899</u>	<u>\$ (4,708,903)</u>	<u>\$ 15,772,996</u>	<u>\$ 1,048,765</u>

A description of the debt series follows:

\$3,690,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2010, refunded in fiscal year 2021.

\$1,585,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2013, refunded in fiscal year 2021.

\$4,695,000 General Obligation Refunding Bonds, Series 2014, 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.

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

\$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.

\$3,224,899 General Obligation Refunding Bonds, Series 2020, issued for the purpose of refunding a portion of the City's outstanding debt. As a result of the current refunding, the City decreased total debt service payments over the next 13 years by \$561,138, obtained an economic gain of \$521,309, and recorded a deferred amount on refunding of \$67,836.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2021

\$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.

Long-term debt service requirements are as follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2022	\$ 1,048,765	\$ 516,032	\$ 1,564,797
2023	1,072,811	490,319	1,563,130
2024	1,114,857	455,281	1,570,138
2025	1,162,426	414,609	1,577,035
2026	1,199,472	368,493	1,567,965
2027-2031	4,804,745	1,179,408	5,984,153
2032-2036	2,242,920	517,139	2,760,059
2037-2041	1,717,000	263,065	1,980,065
2042-2045	1,410,000	79,788	1,489,788
Totals	<u>\$ 15,772,996</u>	<u>\$ 4,284,134</u>	<u>\$ 20,057,130</u>

Note 7: Defined Benefit Pension Plan

Plan Description

The City of Royse City participates as one of 895 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.tmr.com.

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

City of Royse City, Texas
Notes to Financial Statements
September 30, 2021

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

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	54
Active employees	<u>80</u>
	<u><u>161</u></u>

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 15.35 percent and 15.47 percent in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$832,953 and were equal to the required contributions.

Net Pension Liability

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

City of Royse City, Texas

Notes to Financial Statements

September 30, 2021

Actuarial Assumptions

The Total Pension Liability in the December 31, 2020 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
Notes to Financial Statements
September 30, 2021

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	<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, 2021

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, 2020	\$ 11,486,048	\$ 9,349,517	\$ 2,136,531
Changes for the year:			
Service cost	998,014	-	998,014
Interest	798,513	-	798,513
Change of benefit terms	-	-	-
Difference between expected and actual experience	194,592	-	194,592
Changes of assumptions	-	-	-
Contributions – employer	-	803,330	(803,330)
Contributions – employee	-	366,340	(366,340)
Net investment income	-	711,786	(711,786)
Benefit payments, including refunds of employee contributions	(310,478)	(310,478)	-
Administrative expense	-	(4,592)	4,592
Other changes	-	(179)	179
Net changes	<u>1,680,641</u>	<u>1,566,207</u>	<u>114,434</u>
Balance at September 30, 2021	<u>\$ 13,166,689</u>	<u>\$ 10,915,724</u>	<u>\$ 2,250,965</u>

Proportionate share and net pension liability reporting in:

Primary Government	96.87%	\$ 2,180,511
Royse City Community Development Corporation	<u>3.13%</u>	<u>70,454</u>
Total	<u>100%</u>	<u>\$ 2,250,965</u>

City of Royse City, Texas
Notes to Financial Statements
September 30, 2021

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

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75 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%)
\$ 4,526,028	\$ 2,250,965	\$ 422,563

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, 2021, the City and its component unit recognized pension expense of \$811,569.

At September 30, 2021, 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	\$ 342,781	\$ 12,839
Changes in actuarial assumptions	27,885	-
Difference between projected and actual investment earnings	-	264,007
Contributions subsequent to the measurement date	602,810	-
Total	\$ 973,476	\$ 276,846

City of Royse City, Texas
Notes to Financial Statements
September 30, 2021

\$602,810 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022		\$	21,978
2023			112,521
2024			(48,066)
2025			<u>7,387</u>
Total		<u>\$</u>	<u>93,820</u>

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 8: 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.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2021

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	9
Active employees	80
Total	105

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 0.15 percent and 0.17 percent for calendar year 2021 and 2020, respectively. The retiree portion of the total SBDF contribution rates for the City were 0.06 percent and 0.02 percent in calendar year 2021 and 2020, respectively.

The City's contributions to the SDBF for the years ended September 30, 2021 and 2020 were \$8,402 and \$6,353, 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, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.5% per year
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.00% as of December 31, 2020 (2.75% as of December 31, 2019)
Retiree's share of benefit-related costs	\$0

City of Royse City, Texas
Notes to Financial Statements
September 30, 2021

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, 2020, was 2 percent, compared to 2.75 percent as of December 31, 2019. 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, 2020.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at October 1, 2020	\$ 142,721
Changes for the year:	
Service cost	13,607
Interest	4,098
Difference between expected and actual experience	(1,339)
Changes of assumptions	25,633
Benefit payments	(1,047)
Net changes	40,952
Balance at September 30, 2021	\$ 183,673

City of Royse City, Texas
Notes to Financial Statements
September 30, 2021

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 2 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 (1 percent) or 1-percentage-point higher (3 percent) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Current Discount Rate (2.00%) Assumption	1% Decrease in Discount Rate (3.00%)
Total OPEB liability	\$ 227,414	\$ 183,673	\$ 150,597

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$24,763.

At September 30, 2021, 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	\$ -	\$ 2,329
Changes in actuarial assumptions	44,203	4,918
Total	<u>\$ 44,203</u>	<u>\$ 7,247</u>

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

2022	\$ 7,058
2023	7,058
2024	7,058
2025	6,017
2026	6,990
Thereafter	<u>2,775</u>
Total	<u>\$ 36,956</u>

City of Royse City, Texas
Notes to Financial Statements
September 30, 2021

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 9: Due to/From Other Funds

The following is a summary of due to/from other funds at September 30, 2021:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Bonds Capital Projects	Debt Service	\$ 6,894

The outstanding balances 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.

Note 10: Interfund Transactions

Current transfers between funds during the year were as follows:

<u>Transfers out</u>	<u>Transfers in</u>				<u>Totals</u> <u>Transfers</u> <u>Out</u>
	<u>General</u>	<u>Bonds</u> <u>Capital</u> <u>Projects</u>	<u>General</u> <u>Capital/CIP</u> <u>Fund</u>	<u>Internal Service</u> <u>Funds</u>	
General Fund	\$ -	\$ -	\$ 3,200,000	\$ 1,435,000	\$ 4,635,000
CARES/ARPA Grant Fund	621,191	-	-	-	621,191
General Capital/CIP Fund	-	70,282	-	-	70,282
Water and Sewer Fund	<u>300,000</u>	<u>694,284</u>	<u>-</u>	<u>-</u>	<u>994,284</u>
Total transfers in	<u>\$ 921,191</u>	<u>\$ 764,566</u>	<u>\$ 3,200,000</u>	<u>\$ 1,435,000</u>	<u>\$ 6,320,757</u>

Transfers are used to: 1) transfer debt service payments, 2) transfer monies for fixed asset purchases, and 3) transfer monies to funds that incurred qualifying grant expenditures.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2021

Note 11: 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, 2021, the amount of sales tax rebated for both agreements was approximately \$415,000.

Note 12: 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.

Note 13: 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 V XI, 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, 2021

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 \$1,700,000 for the water system and approximately \$1,400,000 for the sewer system during the fiscal year.

Note 14: 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, 2021, is as follows:

Waterscape PID No. 1 Phase 1A Special Assessment Revenue Bonds, Series 2017	\$ 3,250,000
Waterscape PID, MIA Special Assessment Revenue Bonds, Series 2017	4,985,000
Waterscape PID No. 1 Phase 2A Special Assessment Revenue Bonds, Series 2017	8,425,000
Waterscape PID No.1 Phase 1B Special Assessment Revenue Bonds, Series 2019	2,700,000
Parkside PID Special Assessment Revenue Bonds, Series 2019	7,150,000
Creekshaw PID No.1 Phase 1A Special Assessment Revenue Bonds, Series 2020	5,660,000
Creekshaw PID, MIA Special Assessment Revenue Bonds, Series 2020	3,680,000
Creekside PID No.1 Phase 1A Special Assessment Revenue Bonds, Series 2020	<u>7,485,000</u>
Total	<u><u>\$ 43,335,000</u></u>

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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ 4,583,900	\$ 4,833,500	\$ 4,857,133	\$ 23,633
Franchise	579,000	548,100	562,573	14,473
Sales	2,966,000	3,575,000	3,921,208	346,208
Beverage	-	24,000	32,744	8,744
Fines and forfeitures	207,200	196,000	230,971	34,971
Licenses and permits	627,500	2,515,000	3,337,096	822,096
Charges for services	-	717,200	759,927	42,727
Contributions and donations	-	120,900	120,903	3
Intergovernmental	502,900	206,800	208,787	1,987
Investment income	-	60,000	18,931	(41,069)
Miscellaneous	90,000	129,600	130,855	1,255
	9,556,500	12,926,100	14,181,128	1,255,028
Expenditures				
Current				
General government	3,190,750	3,107,150	2,950,867	156,283
Public safety	4,238,450	4,359,800	4,335,760	24,040
Public works	568,600	581,900	418,105	163,795
Community development	1,569,575	1,154,050	1,185,210	(31,160)
Culture and recreation	294,900	1,135,950	1,020,285	115,665
Capital outlay	-	25,000	15,519	9,481
	9,862,275	10,363,850	9,925,746	438,104
Excess (deficiency) of revenues over (under) expenditures	(305,775)	2,562,250	4,255,382	1,693,132
Other Financing Sources (Uses)				
Transfers in	308,000	305,000	921,191	616,191
Transfers out	(250,000)	(2,410,000)	(4,635,000)	(2,225,000)
	58,000	(2,105,000)	(3,713,809)	(1,608,809)
Net Change in Fund Balances	(247,775)	457,250	541,573	84,323
Fund Balances, Beginning	4,566,197	4,566,197	4,566,197	-
Fund Balances, Ending	\$ 4,318,422	\$ 5,023,447	\$ 5,107,770	\$ 84,323

City of Royse City, Texas
Notes to Required Budgetary Information
September 30, 2021

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, 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
September 30, 2021

	Measurement Year						
	2014	2015	2016	2017	2018	2019	2020
Total Pension Liability							
Service cost	\$ 404,223	\$ 499,985	\$ 551,164	\$ 623,280	\$ 770,427	\$ 873,112	\$ 998,014
Interest (on the total pension liability)	335,002	389,694	439,753	-	594,767	685,043	798,513
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
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)
Net Change in Total Pension Liability	735,368	994,008	540,862	1,601,380	1,298,022	1,682,289	1,680,641
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
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
Plan Fiduciary Net Position:							
Contributions – employer	\$ 257,384	\$ 412,033	\$ 389,203	\$ 464,778	\$ 642,880	\$ 729,724	\$ 803,330
Contributions – employee	187,480	230,554	217,606	242,252	277,274	319,654	366,340
Net investment income	215,140	6,369	328,152	767,860	(203,862)	1,139,068	711,786
Benefit payments, including refunds of employee contributions	(100,973)	(104,842)	(248,436)	(211,533)	(159,175)	(183,048)	(310,478)
Administrative expense	(2,245)	(3,879)	(3,706)	(3,978)	(3,935)	(6,421)	(4,592)
Other	(185)	(191)	(199)	(202)	(206)	(191)	(179)
City’s Net Change in Plan Fiduciary Net Position	556,601	540,044	682,620	1,259,177	552,976	1,998,786	1,566,207
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
Plan Fiduciary Net Position – Ending (b)	\$ 4,315,915	\$ 4,855,959	\$ 5,538,579	\$ 6,797,756	\$ 7,350,732	\$ 9,349,518	\$ 10,915,725
City’s Net Pension Liability (Asset) – Ending (a) – (b)	\$ 1,053,572	\$ 1,507,536	\$ 1,365,778	\$ 1,707,981	\$ 2,453,027	\$ 2,136,530	\$ 2,250,964
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%
Covered Payroll	\$ 2,678,293	\$ 2,939,358	\$ 3,108,654	\$ 3,460,744	\$ 3,961,063	\$ 4,566,486	\$ 5,233,422
City’s Net Pension Liability (Asset) as a Percentage of Covered Payroll	39.34%	51.29%	43.93%	49.35%	61.93%	46.79%	43.01%

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,

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
September 30, 2021

	Fiscal Year						
	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 276,233	\$ 402,912	\$ 506,859	\$ 597,472	\$ 709,950	\$ 751,545	\$ 832,953
Contribution in relation of the actuarially determined contribution	<u>276,233</u>	<u>402,912</u>	<u>506,859</u>	<u>597,472</u>	<u>709,950</u>	<u>751,545</u>	<u>832,953</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered payroll	\$ 2,678,293	\$ 3,353,461	\$ 3,320,321	\$ 3,834,103	\$ 4,426,898	\$ 4,848,766	\$ 5,396,236
Contributions as a percentage of covered payroll	10.31%	12.01%	15.27%	15.58%	16.04%	15.50%	15.44%

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	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	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
For the Year Ended September 30, 2021

	Measurement Year			
	2017	2018	2019	2020
Total OPEB Liability				
Service cost	\$ 6,921	\$ 8,714	\$ 9,133	\$ 13,607
Interest (on the total OPEB liability)	3,336	3,560	4,053	4,098
Difference between expected and actual experience	-	(1,481)	(460)	(1,339)
Change in assumptions	8,895	(8,467)	25,786	25,633
Benefit payments	(692)	(792)	(913)	(1,047)
Net Change in Total OPEB Liability	18,460	1,534	37,599	40,952
Total OPEB Liability – Beginning	85,128	103,588	105,122	142,721
Total OPEB Liability – Ending	<u>\$ 103,588</u>	<u>\$ 105,122</u>	<u>\$ 142,721</u>	<u>\$ 183,673</u>
Covered Employee Payroll	\$ 3,460,744	\$ 3,961,063	\$ 4,566,486	\$ 5,233,422
City’s Total OPEB Liability as a Percentage of Covered Employee Payroll	2.99%	2.65%	3.13%	3.51%

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:

2016	3.78%
2017	3.31%
2018	3.71%
2019	2.75%
2020	2.00%

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, 2021

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	\$ 21,301	\$ 42,379	\$ 69	\$ 277,652	\$ 2,378,543	\$ 11,660	\$ 23,584	\$ 330,356
Receivables (net of allowance for uncollectibles)	-	-	-	7,117	-	-	-	-
Total assets	<u>21,301</u>	<u>42,379</u>	<u>69</u>	<u>284,769</u>	<u>2,378,543</u>	<u>11,660</u>	<u>23,584</u>	<u>330,356</u>
Liabilities								
Accounts payable	680	-	-	-	40,000	-	-	-
Accrued liabilities	-	-	-	-	-	-	-	-
Total liabilities	<u>680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances								
Restricted	20,621	42,379	69	284,769	2,338,543	11,660	23,584	330,356
Assigned	-	-	-	-	-	-	-	-
Total fund balances	<u>20,621</u>	<u>42,379</u>	<u>69</u>	<u>284,769</u>	<u>2,338,543</u>	<u>11,660</u>	<u>23,584</u>	<u>330,356</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 21,301</u>	<u>\$ 42,379</u>	<u>\$ 69</u>	<u>\$ 284,769</u>	<u>\$ 2,378,543</u>	<u>\$ 11,660</u>	<u>\$ 23,584</u>	<u>\$ 330,356</u>

City of Royse City, Texas
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
September 30, 2021

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	\$ 789	\$ 419	\$ 28,094	\$ 5,418	\$ 44,424	\$ 15,352	\$ 40,851	\$ 26,982
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-
Total assets	<u>789</u>	<u>419</u>	<u>28,094</u>	<u>5,418</u>	<u>44,424</u>	<u>15,352</u>	<u>40,851</u>	<u>26,982</u>
Liabilities								
Accounts payable	-	-	412	-	600	-	964	21,914
Accrued liabilities	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>412</u>	<u>-</u>	<u>600</u>	<u>-</u>	<u>964</u>	<u>21,914</u>
Fund Balances								
Restricted	-	-	27,682	-	-	-	-	-
Assigned	789	419	-	5,418	43,824	15,352	39,887	5,068
Total fund balances	<u>789</u>	<u>419</u>	<u>27,682</u>	<u>5,418</u>	<u>43,824</u>	<u>15,352</u>	<u>39,887</u>	<u>5,068</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 789</u>	<u>\$ 419</u>	<u>\$ 28,094</u>	<u>\$ 5,418</u>	<u>\$ 44,424</u>	<u>\$ 15,352</u>	<u>\$ 40,851</u>	<u>\$ 26,982</u>

City of Royse City, Texas
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
September 30, 2021

	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	
Assets								
Cash and cash equivalents	\$ 8,081	\$ 3,553	\$ 37,553	\$ 6,656	\$ 887,671	\$ 10,150	\$ 50,440	\$ 420,000
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-
Total assets	<u>8,081</u>	<u>3,553</u>	<u>37,553</u>	<u>6,656</u>	<u>887,671</u>	<u>10,150</u>	<u>50,440</u>	<u>420,000</u>
Liabilities								
Accounts payable	-	-	-	-	1,873	-	-	-
Accrued liabilities	-	-	-	-	-	10,102	-	420,000
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,873</u>	<u>10,102</u>	<u>-</u>	<u>420,000</u>
Fund Balances								
Restricted	-	-	37,553	6,656	885,798	48	50,440	-
Assigned	8,081	3,553	-	-	-	-	-	-
Total fund balances	<u>8,081</u>	<u>3,553</u>	<u>37,553</u>	<u>6,656</u>	<u>885,798</u>	<u>48</u>	<u>50,440</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,081</u>	<u>\$ 3,553</u>	<u>\$ 37,553</u>	<u>\$ 6,656</u>	<u>\$ 887,671</u>	<u>\$ 10,150</u>	<u>\$ 50,440</u>	<u>\$ 420,000</u>

City of Royse City, Texas
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
September 30, 2021

	<u>Capital Projects</u>		
	<u>Park Development Fees Fund</u>	<u>Verandah Development Fees Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 489,329	\$ 2,258,531	\$ 7,419,837
Receivables (net of allowance for uncollectibles)	-	-	7,117
Total assets	<u>489,329</u>	<u>2,258,531</u>	<u>7,426,954</u>
Liabilities			
Accounts payable	-	-	66,443
Accrued liabilities	-	-	430,102
Total liabilities	<u>-</u>	<u>-</u>	<u>496,545</u>
Fund Balances			
Restricted	489,329	2,258,531	6,808,018
Assigned	-	-	122,391
Total fund balances	<u>489,329</u>	<u>2,258,531</u>	<u>6,930,409</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 489,329</u>	<u>\$ 2,258,531</u>	<u>\$ 7,426,954</u>

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

	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	-	-	-	94,151	-	-	-	-
Fines and forfeitures	5,016	5,193	31	-	-	-	-	-
Impact fees	-	-	-	-	722,098	-	-	101,700
Contributions and donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	16,471	-
Investment income	86	162	-	1,059	3,302	79	128	1,103
Total revenues	<u>5,102</u>	<u>5,355</u>	<u>31</u>	<u>95,210</u>	<u>725,400</u>	<u>79</u>	<u>16,599</u>	<u>102,803</u>
Expenditures								
Current								
General government	-	-	-	48,428	-	-	-	-
Public safety	5,833	-	-	-	-	9,725	-	-
Public works	-	-	-	-	40,344	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	<u>5,833</u>	<u>-</u>	<u>-</u>	<u>48,428</u>	<u>40,344</u>	<u>9,725</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(731)</u>	<u>5,355</u>	<u>31</u>	<u>46,782</u>	<u>685,056</u>	<u>(9,646)</u>	<u>16,599</u>	<u>102,803</u>
Other Financing Sources (Uses)								
Insurance proceeds	-	-	-	-	-	-	-	-
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>(731)</u>	<u>5,355</u>	<u>31</u>	<u>46,782</u>	<u>685,056</u>	<u>(9,646)</u>	<u>16,599</u>	<u>102,803</u>
Fund Balances, Beginning	<u>21,352</u>	<u>37,024</u>	<u>38</u>	<u>237,987</u>	<u>1,653,487</u>	<u>21,306</u>	<u>6,985</u>	<u>227,553</u>
Fund balances, Ending	<u>\$ 20,621</u>	<u>\$ 42,379</u>	<u>\$ 69</u>	<u>\$ 284,769</u>	<u>\$ 2,338,543</u>	<u>\$ 11,660</u>	<u>\$ 23,584</u>	<u>\$ 330,356</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, 2021

	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	-	-	5,794	-	-	-	-	-
Impact fees	-	-	-	-	-	-	-	-
Contributions and donations	-	-	-	3,680	28,591	3,190	4,210	1,039
Miscellaneous	-	-	-	-	-	-	-	-
Investment income	-	2	100	24	138	52	174	115
Total revenues	<u>-</u>	<u>2</u>	<u>5,894</u>	<u>3,704</u>	<u>28,729</u>	<u>3,242</u>	<u>4,384</u>	<u>1,154</u>
Expenditures								
Current								
General government	-	-	-	-	-	-	7,092	-
Public safety	-	-	411	-	-	-	-	2,769
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	3,521	19,004	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>411</u>	<u>3,521</u>	<u>19,004</u>	<u>-</u>	<u>7,092</u>	<u>2,769</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>2</u>	<u>5,483</u>	<u>183</u>	<u>9,725</u>	<u>3,242</u>	<u>(2,708)</u>	<u>(1,615)</u>
Other Financing Sources (Uses)								
Insurance proceeds	-	-	-	-	-	-	-	-
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>-</u>	<u>2</u>	<u>5,483</u>	<u>183</u>	<u>9,725</u>	<u>3,242</u>	<u>(2,708)</u>	<u>(1,615)</u>
Fund Balances, Beginning	<u>789</u>	<u>417</u>	<u>22,199</u>	<u>5,235</u>	<u>34,099</u>	<u>12,110</u>	<u>42,595</u>	<u>6,683</u>
Fund balances, Ending	<u>\$ 789</u>	<u>\$ 419</u>	<u>\$ 27,682</u>	<u>\$ 5,418</u>	<u>\$ 43,824</u>	<u>\$ 15,352</u>	<u>\$ 39,887</u>	<u>\$ 5,068</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, 2021

	Special Revenue							Special Escrow Fund
	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	
Revenues								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,440	\$ -
Hotel motel	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Impact fees	-	-	-	-	-	-	-	-
Contributions and donations	-	2,950	-	6,650	-	-	-	-
Miscellaneous	-	-	-	-	289,577	-	-	-
Investment income	34	22	156	6	1,370	43	-	-
Total revenues	34	2,972	156	6,656	290,947	43	50,440	-
Expenditures								
Current								
General government	187	-	-	-	94,915	-	-	-
Public safety	-	6,573	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	-	15	-	-	-	-	-
Total expenditures	187	6,573	15	-	94,915	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(153)	(3,601)	141	6,656	196,032	43	50,440	-
Other Financing Sources (Uses)								
Insurance proceeds	-	-	-	-	3,779	-	-	-
Total other financing sources (uses)	-	-	-	-	3,779	-	-	-
Net Change in Fund Balances	(153)	(3,601)	141	6,656	199,811	43	50,440	-
Fund Balances, Beginning	8,234	7,154	37,412	-	685,987	5	-	-
Fund balances, Ending	\$ 8,081	\$ 3,553	\$ 37,553	\$ 6,656	\$ 885,798	\$ 48	\$ 50,440	\$ -

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, 2021

	<u>Capital Projects</u>		
	<u>Park</u>	<u>Verandah</u>	<u>Total</u>
	<u>Development</u>	<u>Development</u>	<u>Nonmajor</u>
	<u>Fees</u>	<u>Fees</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
Revenues			
Taxes:			
Property	\$ -	\$ -	\$ 50,440
Hotel motel	-	-	94,151
Fines and forfeitures	-	-	16,034
Impact fees	-	-	823,798
Contributions and donations	376,833	1,360,000	1,787,143
Miscellaneous	-	-	306,048
Investment income	899	5,757	14,811
Total revenues	<u>377,732</u>	<u>1,365,757</u>	<u>3,092,425</u>
Expenditures			
Current			
General government	-	-	150,622
Public safety	-	-	25,311
Public works	-	-	40,344
Culture and recreation	-	-	22,540
Total expenditures	<u>-</u>	<u>-</u>	<u>238,817</u>
Excess (deficiency) of revenues over (under) expenditures	<u>377,732</u>	<u>1,365,757</u>	<u>2,853,608</u>
Other Financing Sources (Uses)			
Insurance proceeds	<u>-</u>	<u>-</u>	<u>3,779</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,779</u>
Net Change in Fund Balances	377,732	1,365,757	2,857,387
Fund Balances, Beginning	<u>111,597</u>	<u>892,774</u>	<u>4,073,022</u>
Fund balances, Ending	<u>\$ 489,329</u>	<u>\$ 2,258,531</u>	<u>\$ 6,930,409</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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property	\$ 1,980,000	\$ 2,025,900	\$ 2,054,963	\$ 29,063
Investment income	25,000	2,500	2,167	(333)
Total revenues	<u>2,005,000</u>	<u>2,028,400</u>	<u>2,057,130</u>	<u>28,730</u>
Expenditures				
Debt service				
Principal	1,449,000	1,449,000	1,394,000	55,000
Interest	582,800	579,300	553,235	26,065
Total expenditures	<u>2,031,800</u>	<u>2,028,300</u>	<u>1,947,235</u>	<u>81,065</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,800)</u>	<u>100</u>	<u>109,895</u>	<u>109,795</u>
Net Change in Fund Balances	(26,800)	100	109,895	109,795
Fund Balances, Beginning	<u>1,349,671</u>	<u>1,349,671</u>	<u>1,349,671</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 1,322,871</u></u>	<u><u>\$ 1,349,771</u></u>	<u><u>\$ 1,459,566</u></u>	<u><u>\$ 109,795</u></u>

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, 2021

	<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	\$ 50,000	\$ 18,000	\$ 7,311	\$ (10,689)
Total revenues	50,000	18,000	7,311	(10,689)
Expenditures				
Debt service				
Bond issuance cost	-	-	8,785	(8,785)
Capital outlay	5,250,000	4,700,800	4,656,876	43,924
Total expenditures	5,250,000	4,700,800	4,665,661	35,139
Excess (deficiency) of revenues over (under) expenditures	(5,200,000)	(4,682,800)	(4,658,350)	24,450
Other Financing Sources (Uses)				
Issuance of long-term debt	750,000	660,000	660,000	-
Premium on issuance of debt	-	-	81,126	-
Refunding bonds issued	-	-	340,101	340,101
Premium on issuance of refunded debt	-	-	52,360	52,360
Payment to refunded bond escrow agent	-	-	(383,676)	(383,676)
Transfers in	-	-	764,566	764,566
Total other financing sources (uses)	750,000	660,000	1,514,477	773,351
Net Change in Fund Balances	(4,450,000)	(4,022,800)	(3,143,873)	797,801
Fund Balances, Beginning	5,525,559	5,525,559	5,525,559	-
Fund Balances, Ending	\$ 1,075,559	\$ 1,502,759	\$ 2,381,686	\$ 797,801

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services – water	\$ 3,900,000	\$ 3,840,000	\$ 5,601,379	\$ 1,761,379
Charges for services – sewer	2,850,000	2,850,000	3,509,175	659,175
Impact fees	375,000	3,765,000	3,655,800	(109,200)
Miscellaneous	120,000	180,000	403,579	223,579
Total revenues	7,245,000	10,635,000	13,169,933	2,534,933
Operating Expenses				
Personnel services	680,410	715,200	682,336	32,864
Materials and supplies	173,853	175,300	174,345	955
Repairs and maintenance	1,022,207	759,300	674,110	85,190
Water purchases	1,733,294	1,692,100	1,738,201	(46,101)
Contractual services	325,000	368,500	234,182	134,318
Interceptor services	1,383,469	1,521,500	1,387,386	134,114
Depreciation	679,617	679,617	681,541	(1,924)
Total operating expenses	5,997,850	5,911,517	5,572,101	339,416
Operating income	1,247,150	4,723,483	7,597,832	2,874,349
Nonoperating Revenues (Expenses)				
Investment earnings	75,000	52,500	30,733	(21,767)
Interest expense	-	1,525,100	(394,054)	(1,919,154)
Bond issuance costs	-	-	(80,401)	(80,401)
Total nonoperating revenues (expenses)	75,000	1,577,600	(443,722)	(2,021,322)
Income (loss) before capital contributions and transfers	1,322,150	6,301,083	7,154,110	853,027
Transfers out	-	(300,000)	(994,284)	(694,284)
Change in Net Position	1,322,150	6,001,083	6,159,826	158,743
Net Position, Beginning	22,970,935	22,970,935	22,970,935	-
Net Position, Ending	\$ 24,293,085	\$ 28,972,018	\$ 29,130,761	\$ 158,743

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 5,000	\$ 4,000	\$ 5,016	\$ 1,016
Investment income	-	350	86	(264)
Total revenues	<u>5,000</u>	<u>4,350</u>	<u>5,102</u>	<u>752</u>
Expenditures				
Public safety	<u>15,000</u>	<u>7,500</u>	<u>5,833</u>	<u>1,667</u>
Total expenditures	<u>15,000</u>	<u>7,500</u>	<u>5,833</u>	<u>1,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,000)</u>	<u>(3,150)</u>	<u>(731)</u>	<u>2,419</u>
Net Change in Fund Balances	(10,000)	(3,150)	(731)	2,419
Fund Balances, Beginning	<u>21,352</u>	<u>21,352</u>	<u>21,352</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 11,352</u>	<u>\$ 18,202</u>	<u>\$ 20,621</u>	<u>\$ 2,419</u>

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures	\$ 5,000	\$ 4,200	\$ 5,193	\$ 993
Investment income	300	300	162	(138)
Total revenues	<u>5,300</u>	<u>4,500</u>	<u>5,355</u>	<u>855</u>
Expenditures				
Public safety	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>300</u>	<u>4,500</u>	<u>5,355</u>	<u>855</u>
Net Change in Fund Balances	300	4,500	5,355	855
Fund Balances, Beginning	<u>37,024</u>	<u>37,024</u>	<u>37,024</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 37,324</u>	<u>\$ 41,524</u>	<u>\$ 42,379</u>	<u>\$ 855</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, 2021

	<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	\$ 80,000	\$ 80,000	\$ 94,151	\$ 14,151
Investment income	-	500	1,059	559
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	80,000	80,500	95,210	14,710
Expenditures				
General government	35,000	43,500	48,428	(4,928)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	35,000	43,500	48,428	(4,928)
Net Change in Fund Balances	45,000	37,000	46,782	9,782
Fund Balances, Beginning	237,987	237,987	237,987	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances, Ending	\$ 282,987	\$ 274,987	\$ 284,769	\$ 9,782
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2021

	<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	\$ -	\$ -	\$ 79	\$ 79
Total revenues	-	-	79	79
Expenditures				
Public safety	12,000	10,000	9,725	275
Total expenditures	12,000	10,000	9,725	275
Excess (deficiency) of revenues over (under) expenditures	(12,000)	(10,000)	(9,646)	354
Net Change in Fund Balances	(12,000)	(10,000)	(9,646)	354
Fund Balances, Beginning	21,306	21,306	21,306	-
Fund Balances, Ending	<u>\$ 9,306</u>	<u>\$ 11,306</u>	<u>\$ 11,660</u>	<u>\$ 354</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Fines and forfeitures	\$ -	\$ -	\$ 16,471	\$ 16,471
Investment income	-	-	128	128
Total revenues	-	-	16,599	16,599
Expenditures				
Public safety	1,000	1,000	-	1,000
Total expenditures	1,000	1,000	-	1,000
Excess (deficiency) of revenues over (under) expenditures	(1,000)	(1,000)	16,599	17,599
Net Change in Fund Balances	(1,000)	(1,000)	16,599	17,599
Fund Balances, Beginning	6,985	6,985	6,985	-
Fund Balances, End	\$ 5,985	\$ 5,985	\$ 23,584	\$ 17,599

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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues				
Fines and forfeitures	\$ 7,900	\$ 5,000	\$ 5,794	\$ 794
Investment income	-	50	100	50
Total revenues	-	5,050	5,894	844
Expenditures				
Public safety	2,500	500	411	89
Total expenditures	2,500	500	411	89
Excess (deficiency) of revenues over (under) expenditures	(2,500)	4,550	5,483	933
Net Change in Fund Balances	(2,500)	4,550	5,483	933
Fund Balances, Beginning	22,199	22,199	22,199	-
Fund Balances, End	\$ 19,699	\$ 26,749	\$ 27,682	\$ 933

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, 2021

	<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	\$ -	\$ 3,200	\$ 3,680	\$ 480
Investment income	1,750	25	24	(1)
Total revenues	<u>1,750</u>	<u>3,225</u>	<u>3,704</u>	<u>479</u>
Expenditures				
Culture and recreation	<u>1,000</u>	<u>5,000</u>	<u>3,521</u>	<u>(1,479)</u>
Total expenditures	<u>1,000</u>	<u>5,000</u>	<u>3,521</u>	<u>(1,479)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>750</u>	<u>(1,775)</u>	<u>183</u>	<u>1,958</u>
Net Change in Fund Balances	750	(1,775)	183	1,958
Fund Balances, Beginning	<u>5,235</u>	<u>5,235</u>	<u>5,235</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 5,985</u>	<u>\$ 3,460</u>	<u>\$ 5,418</u>	<u>\$ 1,958</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, 2021

	<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	\$ 30,000	\$ 28,591	\$ (1,409)
Investment income	-	100	138	38
Total revenues	<u>25,000</u>	<u>30,100</u>	<u>28,729</u>	<u>(1,371)</u>
Expenditures				
Culture and recreation	<u>25,000</u>	<u>30,000</u>	<u>19,004</u>	<u>(10,996)</u>
Total expenditures	<u>25,000</u>	<u>30,000</u>	<u>19,004</u>	<u>(10,996)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>100</u>	<u>9,725</u>	<u>9,625</u>
Net Change in Fund Balances	-	100	9,725	9,625
Fund Balances, Beginning	<u>34,099</u>	<u>34,099</u>	<u>34,099</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 34,099</u></u>	<u><u>\$ 34,199</u></u>	<u><u>\$ 43,824</u></u>	<u><u>\$ 9,625</u></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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Contributions and donations	\$ -	\$ -	\$ 3,190	\$ 3,190
Investment income	-	-	52	52
Total revenues	-	-	3,242	3,242
Expenditures				
Culture and recreation	1,000	-	-	-
Total expenditures	1,000	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(1,000)	-	3,242	3,242
Net Change in Fund Balances	(1,000)	-	3,242	3,242
Fund Balances, Beginning	12,110	12,110	12,110	-
Fund Balances, Ending	\$ 11,110	\$ 12,110	\$ 15,352	\$ 3,242

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, 2021

	<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	\$ 4,210	\$ 710
Investment income	-	100	174	74
Total revenues	<u>5,000</u>	<u>3,600</u>	<u>4,384</u>	<u>784</u>
Expenditures				
General government	<u>5,000</u>	<u>5,000</u>	<u>7,092</u>	<u>2,092</u>
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>7,092</u>	<u>2,092</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,400)</u>	<u>(2,708)</u>	<u>(1,308)</u>
Net Change in Fund Balances	-	(1,400)	(2,708)	(1,308)
Fund Balances, Beginning	<u>42,595</u>	<u>42,595</u>	<u>42,595</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 42,595</u>	<u>\$ 41,195</u>	<u>\$ 39,887</u>	<u>\$ (1,308)</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, 2021

	<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	\$ -	\$ 1,200	\$ 1,039	\$ (161)
Investment income	-	50	115	65
Total revenues	-	1,250	1,154	(96)
Expenditures				
Public safety	1,000	2,000	2,769	769
Total expenditures	1,000	2,000	2,769	769
Excess (deficiency) of revenues over (under) expenditures	(1,000)	(750)	(1,615)	(865)
Net Change in Fund Balances	(1,000)	(750)	(1,615)	(865)
Fund Balances, Beginning	6,683	6,683	6,683	-
Fund Balances, Ending	<u>\$ 5,683</u>	<u>\$ 5,933</u>	<u>\$ 5,068</u>	<u>\$ (865)</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, 2021

	<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	\$ 3,000	\$ 2,000	\$ 2,950	\$ 950
Investment income	-	50	22	(28)
Total revenues	<u>3,000</u>	<u>2,050</u>	<u>2,972</u>	<u>922</u>
Expenditures				
Public safety	<u>3,000</u>	<u>4,500</u>	<u>6,573</u>	<u>2,073</u>
Total expenditures	<u>3,000</u>	<u>4,500</u>	<u>6,573</u>	<u>2,073</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(2,450)</u>	<u>(3,601)</u>	<u>(1,151)</u>
Net Change in Fund Balances	-	(2,450)	(3,601)	(1,151)
Fund Balances, Beginning	<u>7,154</u>	<u>7,154</u>	<u>7,154</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 7,154</u></u>	<u><u>\$ 4,704</u></u>	<u><u>\$ 3,553</u></u>	<u><u>\$ (1,151)</u></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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 2,500	\$ -	\$ -	\$ -
Investment income	<u>-</u>	<u>-</u>	<u>156</u>	<u>156</u>
Total revenues	<u>2,500</u>	<u>-</u>	<u>156</u>	<u>156</u>
Expenditures				
Culture and recreation	<u>2,500</u>	<u>-</u>	<u>15</u>	<u>15</u>
Total expenditures	<u>2,500</u>	<u>-</u>	<u>15</u>	<u>15</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>141</u>	<u>141</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>141</u>	<u>141</u>
Fund Balances, Beginning	<u>37,412</u>	<u>37,412</u>	<u>37,412</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 37,412</u>	<u>\$ 37,412</u>	<u>\$ 37,553</u>	<u>\$ 141</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Impact fees	\$ 100,000	\$ 550,000	\$ 722,098	\$ 172,098
Investment income	20,000	3,500	3,302	(198)
Total revenues	<u>120,000</u>	<u>553,500</u>	<u>725,400</u>	<u>171,900</u>
Expenditures				
Public works	50,000	10,000	40,344	30,344
Total expenditures	<u>50,000</u>	<u>10,000</u>	<u>40,344</u>	<u>30,344</u>
Excess (deficiency) of revenues over (under) expenditures	<u>70,000</u>	<u>543,500</u>	<u>685,056</u>	<u>141,556</u>
Net Change in Fund Balances	70,000	543,500	685,056	141,556
Fund Balances, Beginning	<u>1,653,487</u>	<u>1,653,487</u>	<u>1,653,487</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,723,487</u>	<u>\$ 2,196,987</u>	<u>\$ 2,338,543</u>	<u>\$ 141,556</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Impact fees	\$ 10,000	\$ 100,000	\$ 101,700	\$ 1,700
Investment income	500	-	1,103	1,103
Total revenues	<u>10,500</u>	<u>100,000</u>	<u>102,803</u>	<u>2,803</u>
Expenditures				
Public works	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,500)</u>	<u>100,000</u>	<u>102,803</u>	<u>2,803</u>
Net Change in Fund Balances	<u>(14,500)</u>	<u>100,000</u>	<u>102,803</u>	<u>2,803</u>
Fund Balances, Beginning	<u>227,553</u>	<u>227,553</u>	<u>227,553</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 213,053</u>	<u>\$ 327,553</u>	<u>\$ 330,356</u>	<u>\$ 2,803</u>

City of Royse City, Texas
Combining Statement of Net Position – Internal Service Funds
September 30, 2021

	Technology Replacement Fund	Vehicle Replacement Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 368,219	\$ 1,340,447	\$ 1,708,666
Receivables (net of allowance for doubtful accounts)	-	30,849	30,849
Total current assets	368,219	1,371,296	1,739,515
Total assets	368,219	1,371,296	1,739,515
Net Position			
Unrestricted	368,219	1,371,296	1,739,515
Total net position	\$ 368,219	\$ 1,371,296	\$ 1,739,515

City of Royse City, Texas
Combining Statement of Revenues, Expenses, and
Changes in Net Position – Internal Service Funds
For the Year Ended September 30, 2021

	Technology Replacement Fund	Vehicle Replacement Fund	Total
Operating Revenues			
Miscellaneous	\$ -	\$ 30,849	\$ 30,849
Total operating revenues	<u>-</u>	<u>30,849</u>	<u>30,849</u>
Operating Expenses			
Other expense	<u>23,446</u>	<u>56,618</u>	<u>80,064</u>
Total operating expenses	<u>23,446</u>	<u>56,618</u>	<u>80,064</u>
Operating loss	<u>(23,446)</u>	<u>(25,769)</u>	<u>(49,215)</u>
Nonoperating Revenues			
Investment earnings	515	823	1,338
Insurance proceeds	<u>-</u>	<u>22,595</u>	<u>22,595</u>
Total nonoperating revenues	<u>515</u>	<u>23,418</u>	<u>23,933</u>
Loss before transfers	(22,931)	(2,351)	(25,282)
Transfers in	<u>265,000</u>	<u>1,170,000</u>	<u>1,435,000</u>
Change in Net Position	242,069	1,167,649	1,409,718
Net Position, Beginning	<u>126,150</u>	<u>203,647</u>	<u>329,797</u>
Net Position, Ending	<u>\$ 368,219</u>	<u>\$ 1,371,296</u>	<u>\$ 1,739,515</u>

City of Royse City, Texas
Combining Statement of Cash Flows – Internal Service Funds
For the Year Ended September 30, 2021

	Technology Replacement Fund	Vehicle Replacement Fund	Total
Operating Activities			
Payments to suppliers for goods and services	\$ (23,446)	\$ (68,067)	\$ (91,513)
Net cash used in operating activities	(23,446)	(68,067)	(91,513)
Noncapital and Related Financing Activities			
Transfers from other funds	265,000	1,170,000	1,435,000
Net cash provided by operating activities	265,000	1,170,000	1,435,000
Capital and Related Financing Activities			
Other capital receipts	-	22,595	22,595
Net cash provided by capital and related financing activities	-	22,595	22,595
Investing Activities			
Interest on investments	515	823	1,338
Net cash provided by investing activities	515	823	1,338
Net increase in cash and cash equivalents	242,069	1,125,351	1,367,420
Cash and Cash Equivalents, Beginning of Year	126,150	215,096	341,246
Cash and Cash Equivalents, End of Year	\$ 368,219	\$ 1,340,447	\$ 1,708,666
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating loss	\$ (23,446)	\$ (25,769)	\$ (49,215)
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation			
Decreases in assets and deferred outflows of resources:			
Accounts receivable	-	(30,849)	(30,849)
Decreases in liabilities			
Accounts payable	-	(11,449)	(11,449)
Total adjustments	-	(42,298)	(42,298)
Net cash used in operating activities	\$ (23,446)	\$ (68,067)	\$ (91,513)

City of Royse City, Texas
Balance Sheet
Royse City Community Development Corporation
September 30, 2021

Assets	Royse City Community Development Corporation
Cash and cash equivalents	\$ 3,041,933
Receivables (net of allowance for uncollectibles)	<u>281,807</u>
Total assets	<u><u>\$ 3,323,740</u></u>
Liabilities	
Accrued liabilities	<u>3,031</u>
Total liabilities	<u>3,031</u>
Fund Balances	
Restricted	<u>3,320,709</u>
Total fund balance	<u>3,320,709</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 3,323,740</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, 2021

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

Total fund balance – governmental funds	\$	3,320,709
Capital assets \$1,162,798 net of accumulated depreciation of \$144,880, used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.		1,017,918
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		30,470
Deferred outflows – OPEB related		1,384
Deferred inflows – pension related		(8,665)
Deferred inflows – OPEB related		(227)
Total deferred outflows and inflows related to postemployment benefits		22,962
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Compensated absences		(7,240)
Net pension liability		(70,454)
Total OPEB liability		(5,749)
Total long-term liabilities		(83,443)
Net position of governmental activities	\$	4,278,146

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, 2021

	Royse City Community Development Corporation
Revenues	
Taxes	
Sales	\$ 1,499,208
Investment income	8,378
Miscellaneous	35,455
Total revenues	1,543,041
 Expenditures	
Current	
General government	711,748
Capital outlay	881,699
Total expenditures	1,593,447
Excess (deficiency) of revenues over (under) expenditures	(50,406)
 Net Change in Fund Balances	 (50,406)
 Fund Balances, Beginning	 3,371,115
 Fund Balances, Ending	 \$ 3,320,709

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, 2021

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

Net change in fund balances – total governmental funds	\$	(50,406)
<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 \$881,669 exceeded depreciation of \$3,622 in the current year.</p>		
		878,077
<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	(7,240)	
Changes in pension liabilities and related deferred outflows and inflows of resources	655	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	1,174	
		(5,411)
Change in net position of governmental activities	\$	822,260