



City Of Royse City, Texas

Annual Financial Report

Fiscal Year Ended September 30, 2022

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City of Royse City, Texas

Independent Auditor's Report and Financial Statements

September 30, 2022

**Carl Alsabrook
City Manager**

**Shannon Raymond
Assistant City Manager/CFO**



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14241 Dallas Parkway, Suite 1100 / Dallas, TX 75254

P 972.702.8262 / F 972.702.0673

forvis.com

Independent Auditor's Report

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

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Notes 1 and 5 to the financial statements, in fiscal year 2022, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

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

Supplementary Information

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

FORVIS, LLP

**Dallas, Texas
March 31, 2023**

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City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2022

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, 2022. 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 \$86,921,043 (net position). Of this amount, \$42,408,123, or 48.79 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 \$27,505,803, or 31.64 percent. Total unrestricted net position is \$17,007,117 or 19.57 percent.
- The government's total net position increased by \$27,907,523, or 47.29 percent, over the prior year. The \$13,409,888, or 46.24 percent, increase in net investment capital assets represents capital expenditures less depreciation, retirement of current debt, unspent bond proceeds and capital contributions. The \$11,369,435, or 70.46 percent, increase in restricted net position represents the change in resources that are subject to external restrictions on their use. The \$3,128,200, or 22.54 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 \$50,034,949 was an increase of 140.60 percent, or \$29,239,157, from the prior year ending fund balance of \$20,795,792.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund amounts to \$4,815,806 and was 39.56 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains required and other supplemental information that will enhance the reader's understanding of the financial condition of the City.

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

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2022

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

The next section of the basic financial statements is the notes, beginning on page 25. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, required supplementary information (pages 62-66) 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 67-99) 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, 2022

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

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

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

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

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

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

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2022

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

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

Proprietary Funds. The City maintains two types of proprietary funds, enterprise funds and internal service funds. The City uses enterprise funds to account for charges to customers for the services it provides. Internal service funds are used to account for the accumulation and allocation of costs internally among the City's various functions. The City uses internal service funds to account for funding vehicle, equipment, 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 22-24 of this report.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's budgetary information for the General Fund and progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 62-66 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 67-99 of this report.

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2022

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 \$86,921,043 as of September 30, 2022. The City's net position increased by \$27,907,523, or 47.29 percent for the fiscal year ended September 30, 2022.

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Current and other assets | \$ 57,783,782 | \$ 26,375,910 | \$ 38,248,119 | \$ 26,903,856 | \$ 96,031,901 | \$ 53,279,766 |
| Capital assets | 30,996,312 | 25,368,685 | 24,261,066 | 20,216,424 | 55,257,378 | 45,585,109 |
| Total assets | <u>88,780,094</u> | <u>51,744,595</u> | <u>62,509,185</u> | <u>47,120,280</u> | <u>151,289,279</u> | <u>98,864,875</u> |
| Deferred outflows of resources | 884,339 | 885,998 | 248,595 | 266,828 | 1,132,934 | 1,152,826 |
| Current liabilities | 5,638,271 | 3,717,227 | 1,258,849 | 756,611 | 6,897,120 | 4,473,838 |
| Long-term liabilities | 41,382,755 | 18,791,628 | 16,232,310 | 17,463,514 | 57,615,065 | 36,255,142 |
| Total liabilities | <u>47,021,026</u> | <u>22,508,855</u> | <u>17,491,159</u> | <u>18,220,125</u> | <u>64,512,185</u> | <u>40,728,980</u> |
| Deferred inflows of resources | 893,769 | 238,979 | 95,216 | 36,222 | 988,985 | 275,201 |
| Net position | | | | | | |
| Net investment in capital assets | 25,242,425 | 16,452,192 | 17,165,698 | 12,546,043 | 42,408,123 | 28,998,235 |
| Restricted | 10,662,694 | 8,267,584 | 16,843,109 | 7,868,784 | 27,505,803 | 16,136,368 |
| Unrestricted | <u>5,844,519</u> | <u>5,162,983</u> | <u>11,162,598</u> | <u>8,715,934</u> | <u>17,007,117</u> | <u>13,878,917</u> |
| Total net position | <u>\$ 41,749,638</u> | <u>\$ 29,882,759</u> | <u>\$ 45,171,405</u> | <u>\$ 29,130,761</u> | <u>\$ 86,921,043</u> | <u>\$ 59,013,520</u> |

Net Investment in Capital Assets. A large portion of the City's net position, \$42,408,123, or 48.79 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 \$27,505,803, or 31.64 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 \$17,007,117, or 19.57 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, 2022

The City's overall net position increased \$27,907,523 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 \$11,866,879 from the prior fiscal year for an ending balance of \$41,749,638. 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 as well as proceeds from issuance of debt.

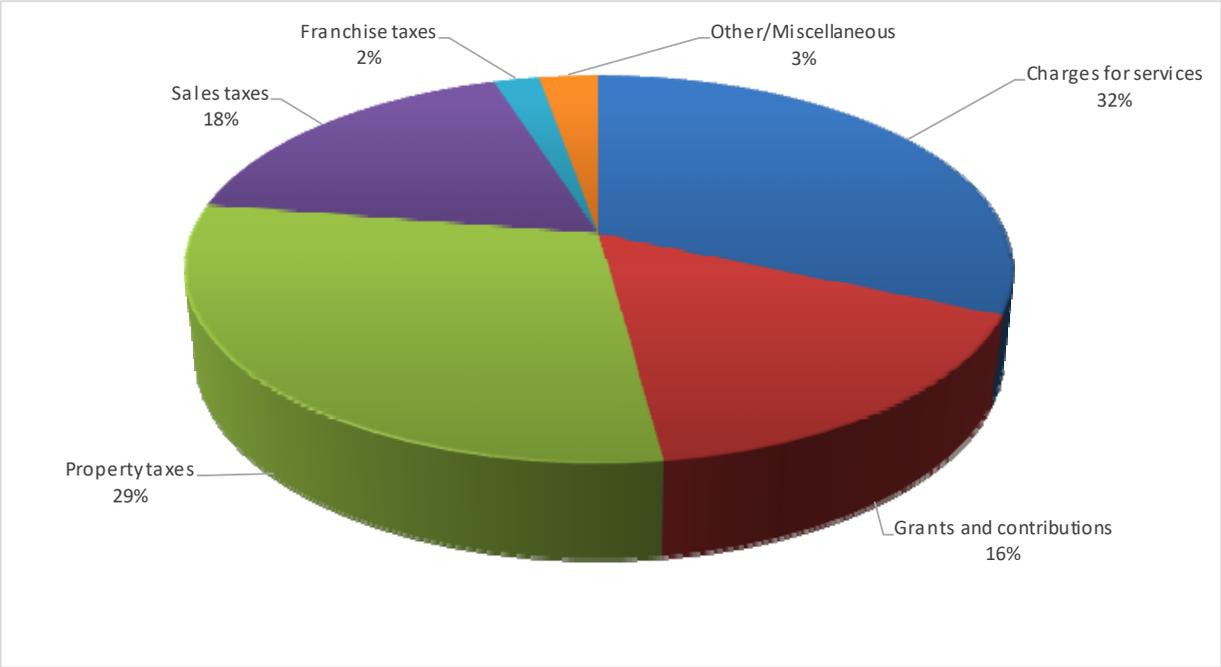
| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 8,548,680 | \$ 5,088,353 | \$ 16,502,622 | \$ 13,169,933 | \$ 25,051,302 | \$ 18,258,286 |
| Operating grants and contributions | 283,889 | 557,942 | - | - | 283,889 | 557,942 |
| Capital grants and contributions | 4,131,535 | 1,882,736 | 5,812,388 | - | 9,943,923 | 1,882,736 |
| General Revenues | | | | | | |
| Property taxes | 8,005,596 | 6,890,533 | - | - | 8,005,596 | 6,890,533 |
| Sales taxes | 4,764,459 | 3,921,208 | - | - | 4,764,459 | 3,921,208 |
| Franchise taxes | 576,980 | 562,573 | - | - | 576,980 | 562,573 |
| Beverage taxes | 39,200 | 32,744 | - | - | 39,200 | 32,744 |
| Hotel motel taxes | 79,670 | 94,151 | - | - | 79,670 | 94,151 |
| Interest income | 299,272 | 52,153 | 187,974 | 30,733 | 487,246 | 82,886 |
| Miscellaneous | 326,314 | 506,497 | - | - | 326,314 | 506,497 |
| Gain (loss) on sale of capital assets | - | 4,301 | - | - | - | 4,301 |
| Total revenues | 27,055,595 | 19,593,191 | 22,502,984 | 13,200,666 | 49,558,579 | 32,793,857 |
| Expenses | | | | | | |
| General government | 3,808,042 | 3,270,097 | - | - | 3,808,042 | 3,270,097 |
| Public safety | 5,520,303 | 4,712,019 | - | - | 5,520,303 | 4,712,019 |
| Public works | 1,475,262 | 820,804 | - | - | 1,475,262 | 820,804 |
| Community development | 1,163,320 | 1,190,685 | - | - | 1,163,320 | 1,190,685 |
| Culture and recreation | 1,229,499 | 1,129,550 | - | - | 1,229,499 | 1,129,550 |
| Interest on long-term debt | 1,042,290 | 508,104 | - | - | 1,042,290 | 508,104 |
| Water and sewer services | - | - | 7,412,340 | 6,046,556 | 7,412,340 | 6,046,556 |
| Total expenses | 14,238,716 | 11,631,259 | 7,412,340 | 6,046,556 | 21,651,056 | 17,677,815 |
| Increase in net position before transfers and special item | 12,816,879 | 7,961,932 | 15,090,644 | 7,154,110 | 27,907,523 | 15,116,042 |
| Transfers | (950,000) | 994,284 | 950,000 | (994,284) | - | - |
| Increase in Net Position | 11,866,879 | 8,956,216 | 16,040,644 | 6,159,826 | 27,907,523 | 15,116,042 |
| Net Position, Beginning | 29,882,759 | 20,926,543 | 29,130,761 | 22,970,935 | 59,013,520 | 43,897,478 |
| Net Position, Ending | \$ 41,749,638 | \$ 29,882,759 | \$ 45,171,405 | \$ 29,130,761 | \$ 86,921,043 | \$ 59,013,520 |

City of Royse City, Texas

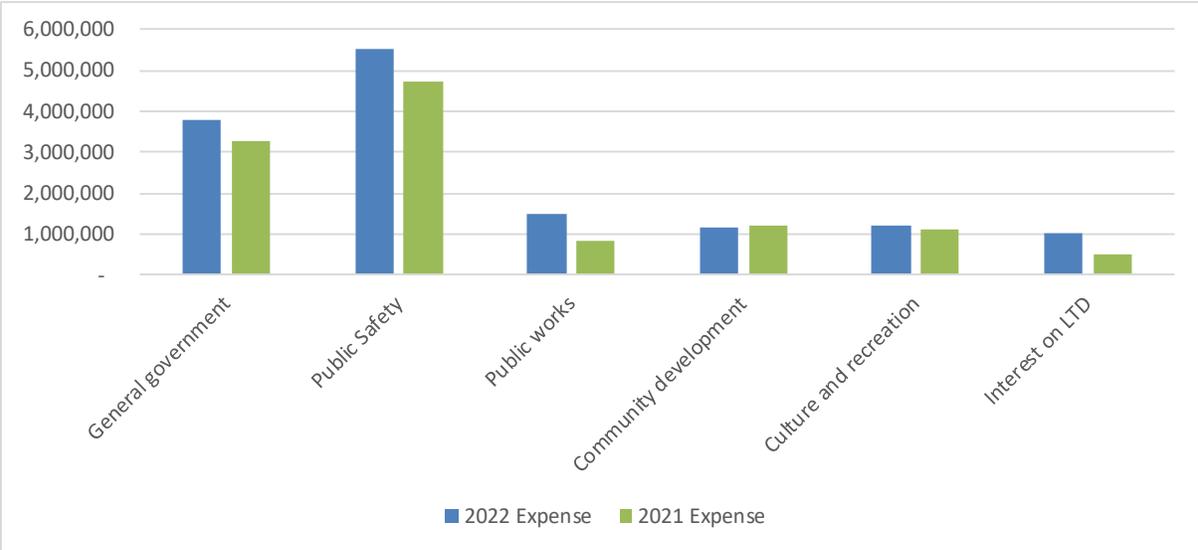
Management’s Discussion and Analysis

For the Year Ended September 30, 2022

Revenues by Source – Governmental Activities



Program Expenses – Governmental Activities



City of Royse City, Texas

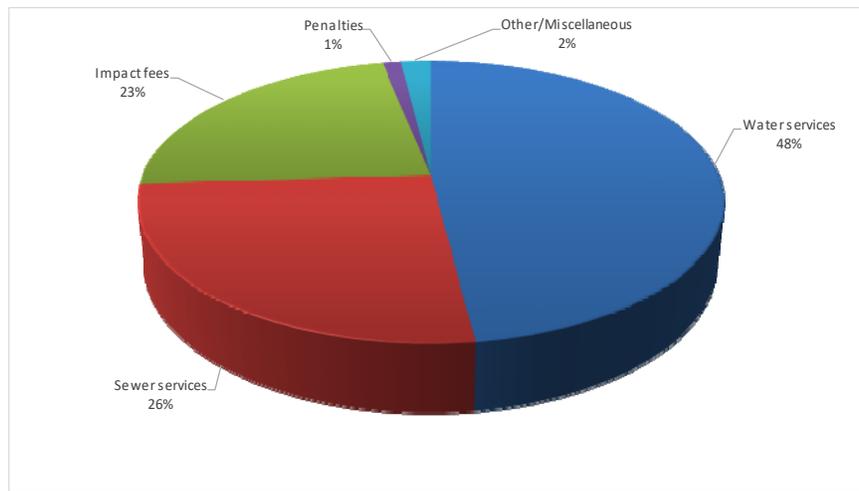
Management’s Discussion and Analysis

For the Year Ended September 30, 2022

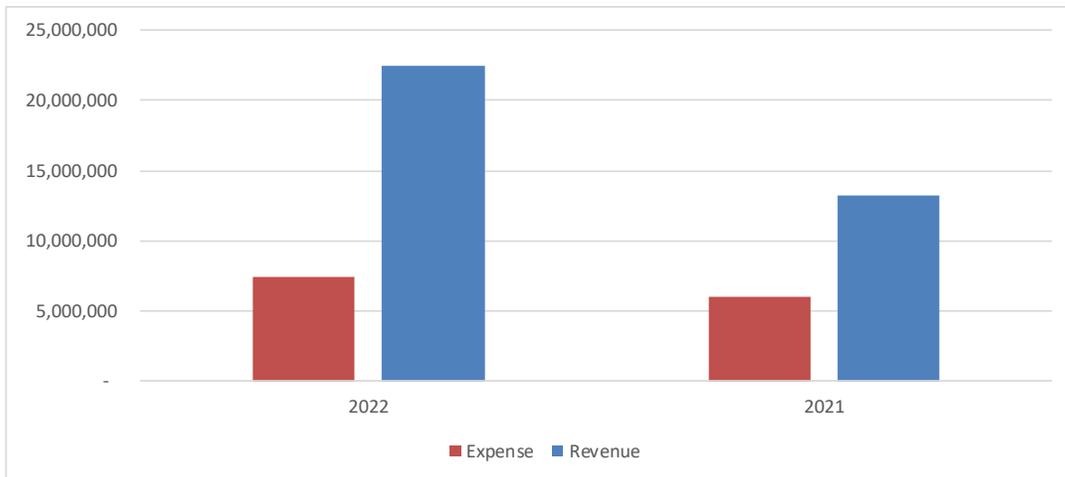
Business-type Activities. Business-type activities increased the City’s net position by \$16,040,644. Key elements of this increase are as follows:

- The increase in net position is mostly due to intergovernmental contributions 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, 2022

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, 2022, the City's governmental funds reported combined fund balances of \$50,034,949, an increase of \$29,239,157, or 140.60 percent. The components of total fund balances are as follows:

- Restricted fund balance of \$44,227,935, or 88.39 percent, consists of amounts restricted by external laws or contractual obligations as follows: \$1,342,710 for debt service; \$37,246,681 for construction projects; \$3,135,696 for roadway fees; \$30,545 for public safety; \$104,542 for municipal courts; \$292,057 for tourism; \$1,229,560 for public improvement; and \$846,144 for community development.
- Assigned fund balance of \$991,208 or 1.98 percent, consists of amounts that are constrained by City Council, or the City Manager as follows: \$250,000 for general government, \$1,209 for the library; \$5,630 for the senior center; \$23,983 for parks and recreation; \$9,898 for public safety; \$654,576 for public works, and \$45,912 for animal control and for animal shelter.
- Unassigned fund balance, \$4,815,806, or 9.62 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 \$4,815,806, compared to \$4,192,770 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 39.56 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$558,036 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 a decrease in fund balance during the current year of \$116,856. This was mainly attributed to an increase in scheduled long-term debt payments offset by an increase in property tax collection.

The Bonds Capital Projects Fund had an increase in fund balance during the current fiscal year of \$24,597,200 which was primarily due to proceeds from the issuance of debt.

The ARPA Grant Fund did not have a change in fund balance during the current fiscal year which was primarily due to the City not incurring any eligible expenditures.

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2022

The General Capital/CIP Fund had an increase in fund balance during the current fiscal year of \$1,669,994 which was primarily due to transfers from the General Fund offset by increased capital outlay expenditures.

Proprietary Funds. The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the enterprise fund at the end of the fiscal year amounted to \$11,162,598.

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 FY2022. The budget amendment was to adjust appropriations across several funds.

Final Budget Compared to Actual Results. For the fiscal year 2021-2022, General Fund actual revenues of \$15,823,711 exceeded budgeted revenues of \$15,328,000, a positive variance of \$495,711. The main reason for this variance was greater than expected of licenses and permits (\$152,280) and charges for services (\$263,219). As for General Fund expenditures, the City spent \$12,174,576, a \$158,824 difference between budget expenditures of \$12,333,400. The main surplus from this budget occurred in general government, public safety, and culture and recreation, which spent \$84,409, \$49,481, and \$49,329, 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, 2022 amounts to \$55,257,378 (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 22.18 percent and the business-type capital assets increased by 20.01 percent.

Major capital asset transactions during the year include the following:

- \$3,271,290 was donated by developer to improve paving and drainage throughout the City.
- \$820,389 was donated by developer for park improvements.
- \$775,972 was spent for street rehabilitation projects throughout the City.
- \$644,059 was spent for purchase of land for the Senior Center and Police Department.
- \$469,721 was spent for construction in progress related to the Police Department.
- \$1,935,372 was donated by developer for water system improvements.
- \$1,384,639 was spent for utility relocations related to Interstate-30 road expansion.

City of Royse City, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2022

Capital Assets (Net of Accumulated Depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | \$ 2,475,648 | \$ 2,159,796 | \$ 1,553,001 | \$ 1,484,387 | \$ 4,028,649 | \$ 3,644,183 |
| Construction in progress | 510,269 | 81,165 | 2,322,032 | 215,692 | 2,832,301 | 296,857 |
| Buildings and improvements | 30,015,909 | 24,628,090 | 39,551 | 39,551 | 30,055,460 | 24,667,641 |
| Machinery and equipment | 5,903,644 | 5,419,380 | 664,160 | 664,160 | 6,567,804 | 6,083,540 |
| Infrastructure and systems | - | - | 28,896,956 | 26,309,636 | 28,896,956 | 26,309,636 |
| Accumulated depreciation | (7,909,158) | (6,919,746) | (9,214,634) | (8,497,000) | (17,123,792) | (15,416,746) |
| Total | \$ 30,996,312 | \$ 25,368,685 | \$ 24,261,066 | \$ 20,216,426 | \$ 55,257,378 | \$ 45,585,111 |

More detailed information about the City's capital assets can be found in *Note 6* on pages 43-44 of this report.

Long-term Debt. As of September 30, 2022, the City had total long-term debt outstanding of \$55,501,137, an increase of \$21,949,454, or 65.42 percent, from the prior year. All outstanding debt is backed by the full faith and credit of the government. During 2022, the City issued Private Placement Certificates of Obligation, Series 2022 in the amount of \$25,120,000.

Outstanding Bonded Debt

| | Governmental Activities | | Business-type Activities | | Primary Government Total | |
|--|-------------------------|---------------|--------------------------|---------------|--------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| General obligation bonds | \$ 3,019,769 | \$ 3,566,004 | \$ 6,370,231 | \$ 7,253,996 | \$ 9,390,000 | \$ 10,820,000 |
| Certificates of obligation | 10,626,000 | 12,031,000 | 8,354,000 | 8,519,000 | 18,980,000 | 20,550,000 |
| Private placement - certificates of obligation | 25,120,000 | - | - | - | 25,120,000 | - |
| Premiums (discounts) on long term debt | 740,780 | 812,193 | 1,270,357 | 1,369,490 | 2,011,137 | 2,181,683 |
| Totals | \$ 39,506,549 | \$ 16,409,197 | \$ 15,994,588 | \$ 17,142,486 | \$ 55,501,137 | \$ 33,551,683 |

More detailed information about the City's long-term debt is presented in *Note 7*, on pages 45-49 of the financial statements.

City of Royse City, Texas

Management's Discussion and Analysis

For the Year Ended September 30, 2022

Economic Factors and Next Year's Budgets and Rates

Residential growth remained strong in Fiscal 2022 despite increasing interest rates. Permit numbers continued at record highs. While several master-planned communities continue to build out phases, large lot subdivisions were completed as well. Medical sector interest has increased as evidenced by a new micro-hospital currently under construction. New commercial buildings began construction near the Erby Campbell interchange while another QSR was completed. The City regularly receives outreach from commercial developers interested in Royse City.

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

The largest single revenue source in the fiscal year 2023 General Fund Budget is property taxes, which account for 40% of total revenues. Assessed property values in Royse City increased approximately \$502 million from the prior year, including \$263 million in new property entering the tax roll for the first time. Council lowered the tax rate to \$0.6050 per \$100 valuation for the fiscal year 2023. Sales tax revenue remains the City's second largest revenue source, making up 34% of General Fund Revenues. Sales tax was budgeted with a modest 5% increase.

The FY23 Annual Budget was prepared being mindful of the continuing need to address growth pressures to staffing and infrastructure. City Council authorized the funding and construction of a new Police Station to house the community's growing public safety staff. Planning for road reconstruction in the old town area was approved along with engineering for several water and sewer expansion projects. New positions were authorized in the police department, fire department, parks, inspections and sewer. Main Street improvements include additional lighting in parking areas near the railroad as well as sound system replacement. Shade structure replacement and additions are planned for several parks.

Water and Sewer Fund expenditures continue to be impacted by increased wholesale water rates and sewer treatment charges. A sewer treatment plant expansion and several infrastructure projects are under various levels of design and construction. A Water and Sewer rate study was finalized, and a rate ordinance was adopted to increase sewer and garbage rates beginning March 2023.

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, 2022

| Assets | Primary Government | | | Component Unit |
|--|----------------------|----------------------|----------------------|---|
| | Governmental | Business-type | Total | Royse City |
| | Activities | Activities | | Community Development Corporation |
| Cash and cash equivalents | \$ 55,945,232 | \$ 10,891,378 | \$ 66,836,610 | \$ 4,050,919 |
| Receivables (net of allowances for uncollectibles) | 1,568,673 | 1,837,297 | 3,405,970 | 304,668 |
| Lease receivable | 269,877 | - | 269,877 | 208,274 |
| Due from other governments | - | 1,647,016 | 1,647,016 | - |
| Restricted cash and cash equivalents | - | 23,872,428 | 23,872,428 | - |
| Capital assets not being depreciated | 2,985,917 | 3,875,033 | 6,860,950 | 1,086,433 |
| Capital assets, net of accumulated depreciation | 28,010,395 | 20,386,033 | 48,396,428 | 32,598 |
| Total assets | 88,780,094 | 62,509,185 | 151,289,279 | 5,682,892 |
| Deferred Outflows of Resources | | | | |
| Deferred outflows of resources – Pension | 825,214 | 125,077 | 950,291 | 30,705 |
| Deferred outflows of resources – OPEB | 34,306 | 5,200 | 39,506 | 1,276 |
| Deferred loss on refunding | 24,819 | 118,318 | 143,137 | - |
| Total deferred outflows of resources | 884,339 | 248,595 | 1,132,934 | 31,981 |
| Liabilities | | | | |
| Accounts payable | 715,550 | 378,609 | 1,094,159 | 84 |
| Accrued liabilities | 947,228 | 23,850 | 971,078 | 7,013 |
| Accrued interest payable | 154,813 | 61,289 | 216,102 | - |
| Unearned revenue | 3,650,153 | 10,000 | 3,660,153 | - |
| Other liabilities | 170,527 | - | 170,527 | - |
| Customer deposits | - | 785,101 | 785,101 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | | | | |
| Compensated absences | 39,151 | 1,269 | 40,420 | 652 |
| Certificates of obligation | 770,000 | 290,000 | 1,060,000 | - |
| Bonds payable | 623,602 | 881,945 | 1,505,547 | - |
| Private placement – certificates of obligation | 1,115,000 | - | 1,115,000 | - |
| Due in more than one year | | | | |
| Compensated absences | 352,350 | 11,418 | 363,768 | 5,871 |
| Certificates of obligation | 9,856,000 | 8,064,000 | 17,920,000 | - |
| Bonds payable | 3,136,947 | 6,758,643 | 9,895,590 | - |
| Private placement – certificates of obligation | 24,005,000 | - | 24,005,000 | - |
| Net pension liability | 1,318,325 | 199,817 | 1,518,142 | 49,053 |
| Total OPEB liability | 166,380 | 25,218 | 191,598 | 6,191 |
| Total liabilities | 47,021,026 | 17,491,159 | 64,512,185 | 68,864 |
| Deferred Inflows of Resources | | | | |
| Deferred inflows of resources – Pension | 617,449 | 93,586 | 711,035 | 22,974 |
| Deferred inflows of resources – OPEB | 10,755 | 1,630 | 12,385 | 400 |
| Deferred inflows of resources – Lease related | 265,565 | - | 265,565 | 196,204 |
| Total deferred inflows of resources | 893,769 | 95,216 | 988,985 | 219,578 |
| Net Position | | | | |
| Net investment in capital assets | 25,242,425 | 17,165,698 | 42,408,123 | - |
| Restricted for: | | | | |
| Debt service | 1,342,710 | - | 1,342,710 | - |
| Capital projects | 3,681,440 | 3,250,000 | 6,931,440 | - |
| Impact fees | 3,135,696 | 13,593,109 | 16,728,805 | - |
| Other purposes | 2,502,848 | - | 2,502,848 | 5,426,431 |
| Unrestricted | 5,844,519 | 11,162,598 | 17,007,117 | - |
| Total net position | \$ 41,749,638 | \$ 45,171,405 | \$ 86,921,043 | \$ 5,426,431 |

City of Royse City, Texas
Statement of Activities
For the Year Ended September 30, 2022

| | 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 | \$ 3,808,042 | \$ 302,892 | \$ 6,630 | \$ 39,856 | \$ (3,458,664) | \$ - | \$ (3,458,664) | \$ - |
| Public safety | 5,520,303 | 947,545 | 4,280 | - | (4,568,478) | - | (4,568,478) | - |
| Public works | 1,475,262 | 1,481,813 | - | 4,091,679 | 4,098,230 | - | 4,098,230 | - |
| Community development | 1,163,320 | 5,682,050 | 272,764 | - | 4,791,494 | - | 4,791,494 | - |
| Culture and recreation | 1,229,499 | 134,380 | 215 | - | (1,094,904) | - | (1,094,904) | - |
| Interest on long-term debt | 1,042,290 | - | - | - | (1,042,290) | - | (1,042,290) | - |
| Total governmental activities | 14,238,716 | 8,548,680 | 283,889 | 4,131,535 | (1,274,612) | - | (1,274,612) | - |
| Water and wastewater | 7,412,340 | 16,502,622 | - | 5,812,388 | - | 14,902,670 | 14,902,670 | - |
| Total business-type activities | 7,412,340 | 16,502,622 | - | 5,812,388 | - | 14,902,670 | 14,902,670 | - |
| Total primary government | \$ 21,651,056 | \$ 25,051,302 | \$ 283,889 | \$ 9,943,923 | (1,274,612) | 14,902,670 | 13,628,058 | - |
| Component Unit: | | | | | | | | |
| Royse City Community Development Corporation | \$ 681,831 | \$ 12,070 | \$ - | \$ - | | | | \$ (669,761) |
| Total component unit | \$ 681,831 | \$ 12,070 | \$ - | \$ - | | | | \$ (669,761) |
| General Revenues | | | | | | | | |
| Property taxes | | | | | 8,005,596 | - | 8,005,596 | - |
| Sales taxes | | | | | 4,764,459 | - | 4,764,459 | 1,811,756 |
| Franchise taxes | | | | | 576,980 | - | 576,980 | - |
| Beverage taxes | | | | | 39,200 | - | 39,200 | - |
| Hotel motel taxes | | | | | 79,670 | - | 79,670 | - |
| Investment earnings | | | | | 299,272 | 187,974 | 487,246 | 3,257 |
| Miscellaneous | | | | | 326,314 | - | 326,314 | 3,033 |
| Transfers | | | | | (950,000) | 950,000 | - | - |
| Total general revenues and transfers | | | | | 13,141,491 | 1,137,974 | 14,279,465 | 1,818,046 |
| Change in net position | | | | | 11,866,879 | 16,040,644 | 27,907,523 | 1,148,285 |
| Net Position, Beginning of Year | | | | | 29,882,759 | 29,130,761 | 59,013,520 | 4,278,146 |
| Net Position, End of Year | | | | | \$ 41,749,638 | \$ 45,171,405 | \$ 86,921,043 | \$ 5,426,431 |

City of Royse City, Texas
Balance Sheet – Governmental Funds
September 30, 2022

| | General Fund | Debt Service Fund | Bonds Capital Projects Fund | ARPA Grant Fund | General Capital/CIP Fund | Total Nonmajor Funds | Total Governmental Funds |
|--|---------------------|----------------------|-----------------------------------|-----------------------|--------------------------------|----------------------------|--------------------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 5,475,491 | \$ 1,347,031 | \$ 26,978,892 | \$ 3,650,153 | \$ 6,603,980 | \$ 10,004,673 | \$ 54,060,220 |
| Receivables (net of allowance for uncollectibles) | 1,476,594 | 37,490 | - | - | - | 54,589 | 1,568,673 |
| Lease receivable | 269,877 | - | - | - | - | - | 269,877 |
| Due from other funds | - | - | 6,894 | - | - | - | 6,894 |
| Total assets | <u>\$ 7,221,962</u> | <u>\$ 1,384,521</u> | <u>\$ 26,985,786</u> | <u>\$ 3,650,153</u> | <u>\$ 6,603,980</u> | <u>\$ 10,059,262</u> | <u>\$ 55,905,664</u> |
| Liabilities | | | | | | | |
| Accounts payable | \$ 574,160 | \$ - | \$ 6,900 | \$ - | \$ 17,625 | \$ 66,542 | \$ 665,227 |
| Accrued liabilities | 415,700 | - | - | - | - | 531,528 | 947,228 |
| Unearned revenue | - | - | - | 3,650,153 | - | - | 3,650,153 |
| Due to other funds | - | 6,894 | - | - | - | - | 6,894 |
| Other liabilities | 170,527 | - | - | - | - | - | 170,527 |
| Total liabilities | <u>1,160,387</u> | <u>6,894</u> | <u>6,900</u> | <u>3,650,153</u> | <u>17,625</u> | <u>598,070</u> | <u>5,440,029</u> |
| Deferred Inflows of Resources | | | | | | | |
| Unavailable revenue – property taxes | 65,603 | 34,917 | - | - | - | - | 100,520 |
| Unavailable revenue – fines | 64,601 | - | - | - | - | - | 64,601 |
| Lease related | 265,565 | - | - | - | - | - | 265,565 |
| Total deferred inflows of resources | <u>395,769</u> | <u>34,917</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>430,686</u> |
| Fund Balances | | | | | | | |
| Restricted | - | 1,342,710 | 26,978,886 | - | 6,586,355 | 9,319,984 | 44,227,935 |
| Assigned | 850,000 | - | - | - | - | 141,208 | 991,208 |
| Unassigned | 4,815,806 | - | - | - | - | - | 4,815,806 |
| Total fund balances | <u>5,665,806</u> | <u>1,342,710</u> | <u>26,978,886</u> | <u>-</u> | <u>6,586,355</u> | <u>9,461,192</u> | <u>50,034,949</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 7,221,962</u> | <u>\$ 1,384,521</u> | <u>\$ 26,985,786</u> | <u>\$ 3,650,153</u> | <u>\$ 6,603,980</u> | <u>\$ 10,059,262</u> | <u>\$ 55,905,664</u> |

City of Royse City, Texas
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
September 30, 2022

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

| | | |
|--|--------------|---------------|
| Total fund balance – governmental funds | | \$ 50,034,949 |
| Capital assets \$38,905,470, net of accumulated depreciation of \$7,909,158, used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements. | | 30,996,312 |
| 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 | 825,214 | |
| Deferred outflows – OPEB related | 34,306 | |
| Deferred inflows – pension related | (617,449) | |
| Deferred inflows – OPEB related | (10,755) | |
| Total deferred outflows and inflows related to postemployment benefits | 231,316 | 231,316 |
| 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. | | 1,834,689 |
| Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds. | | |
| Certificates of obligation | (10,626,000) | |
| Bonds payable, net | (3,760,549) | |
| Private placement – certificates of obligation | (25,120,000) | |
| Compensated absences | (391,501) | |
| Accrued interest payable | (154,813) | |
| Net pension liability | (1,318,325) | |
| Total OPEB liability | (166,380) | |
| Total long-term liabilities | (41,537,568) | (41,537,568) |
| Revenues in the statements of activities that do not provide current financial resources are not reported as revenue in the fund financial statements. | | 165,121 |
| 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 | | 24,819 |
| Net position of governmental activities | | \$ 41,749,638 |

City of Royse City, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2022

| | General Fund | Debt Service Fund | Bonds Capital Projects Fund | ARPA Grant Fund | General Capital/CIP Fund | Total Nonmajor Funds | Total Governmental Funds |
|--|---------------------|----------------------|-----------------------------------|-----------------------|--------------------------------|----------------------------|--------------------------------|
| Revenues | | | | | | | |
| Taxes | | | | | | | |
| Property | \$ 5,181,239 | \$ 2,692,947 | \$ - | \$ - | \$ - | \$ 191,751 | \$ 8,065,937 |
| Franchise | 576,980 | - | - | - | - | - | 576,980 |
| Sales | 4,764,459 | - | - | - | - | - | 4,764,459 |
| Beverage | 39,200 | - | - | - | - | - | 39,200 |
| Hotel motel | - | - | - | - | - | 79,670 | 79,670 |
| Fines and forfeitures | 277,135 | - | - | - | - | 23,282 | 300,417 |
| Licenses and permits | 3,669,280 | - | - | - | - | - | 3,669,280 |
| Charges for services | 942,219 | - | - | - | - | - | 942,219 |
| Impact fees | - | - | - | - | - | 1,172,211 | 1,172,211 |
| Development fees | - | - | - | - | - | 2,490,400 | 2,490,400 |
| Contributions and donations | - | - | - | - | 39,856 | 49,870 | 89,726 |
| Intergovernmental | 234,019 | - | - | - | - | - | 234,019 |
| Investment income | 119,169 | 36,673 | 95,740 | - | 7,200 | 37,291 | 296,073 |
| Miscellaneous | 20,011 | - | - | - | 1,069 | 304,884 | 325,964 |
| Total revenues | 15,823,711 | 2,729,620 | 95,740 | - | 48,125 | 4,349,359 | 23,046,555 |
| Expenditures | | | | | | | |
| Current | | | | | | | |
| General government | 3,414,541 | - | - | - | 5,500 | 290,503 | 3,710,544 |
| Public safety | 5,158,669 | - | - | - | - | 22,260 | 5,180,929 |
| Public works | 404,939 | - | - | - | 418,891 | 234,310 | 1,058,140 |
| Community development | 1,171,176 | - | - | - | - | - | 1,171,176 |
| Culture and recreation | 1,131,421 | - | - | - | - | 19,503 | 1,150,924 |
| Debt service | | | | | | | |
| Principal | - | 1,951,235 | - | - | - | - | 1,951,235 |
| Interest | - | 895,241 | - | - | - | - | 895,241 |
| Bond issuance cost | - | - | 120,000 | - | - | - | 120,000 |
| Capital outlay | 893,830 | - | 498,540 | - | 1,188,740 | - | 2,581,110 |
| Total expenditures | 12,174,576 | 2,846,476 | 618,540 | - | 1,613,131 | 566,576 | 17,819,299 |
| Excess (deficiency) of revenues over (under) expenditures | 3,649,135 | (116,856) | (522,800) | - | (1,565,006) | 3,782,783 | 5,227,256 |
| Other Financing Sources (Uses) | | | | | | | |
| Issuance of long-term debt | - | - | 25,120,000 | - | - | - | 25,120,000 |
| Transfers in | 302,000 | - | - | - | 3,235,000 | - | 3,537,000 |
| Transfers out | (3,393,099) | - | - | - | - | (1,252,000) | (4,645,099) |
| Total other financing sources (uses) | (3,091,099) | - | 25,120,000 | - | 3,235,000 | (1,252,000) | 24,011,901 |
| Net Change in Fund Balances | 558,036 | (116,856) | 24,597,200 | - | 1,669,994 | 2,530,783 | 29,239,157 |
| Fund Balances, Beginning | 5,107,770 | 1,459,566 | 2,381,686 | - | 4,916,361 | 6,930,409 | 20,795,792 |
| Fund Balances, Ending | \$ 5,665,806 | \$ 1,342,710 | \$ 26,978,886 | \$ - | \$ 6,586,355 | \$ 9,461,192 | \$ 50,034,949 |

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, 2022

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

| | | |
|--|--------------|--------------|
| Net change in fund balances – total governmental funds | \$ | 29,239,157 |
| <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 \$2,581,110 exceeded depreciation of \$1,045,162 in the current year.</p> | | |
| | | 1,535,948 |
| <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> | | |
| | | (19,714) |
| <p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.</p> | | |
| Donation of capital assets | | 4,091,679 |
| <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 | (25,120,000) | |
| Principal paid on long-term debt | 1,951,235 | |
| | | (23,168,765) |
| <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> | | |
| | | 95,174 |
| <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 | (93,355) | |
| Amortization of bond premiums and discounts | 71,413 | |
| Amortization of deferred amounts of refunding | (5,107) | |
| Compensated absences | (57,089) | |
| Changes in pension liabilities and related deferred outflows and inflows of resources | 196,948 | |
| Changes in OPEB liabilities and related deferred outflows and inflows of resources | (19,410) | |
| | | 93,400 |
| Change in net position of governmental activities | \$ | 11,866,879 |

City of Royse City, Texas
Statement of Net Position – Proprietary Funds
September 30, 2022

| | Enterprise Fund | Internal |
|--|------------------------|-----------------|
| | Water and | Service |
| | Sewer Fund | Funds |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 10,891,378 | \$ 1,885,012 |
| Receivables (net of allowance for doubtful accounts) | 1,837,297 | - |
| Due from other governments | 1,647,016 | - |
| Restricted cash and cash equivalents | 23,872,428 | - |
| Total current assets | 38,248,119 | 1,885,012 |
| Capital assets | | |
| Land | 1,553,001 | - |
| Buildings | 39,551 | - |
| Machinery and equipment | 664,160 | - |
| Infrastructure | 28,896,956 | - |
| Construction in progress | 2,322,032 | - |
| Accumulated depreciation | (9,214,634) | - |
| Total noncurrent assets | 24,261,066 | - |
| Total assets | 62,509,185 | 1,885,012 |
| Deferred Outflows of Resources | | |
| Deferred outflows of resources – Pension | 125,077 | - |
| Deferred outflows of resources – OPEB | 5,200 | - |
| Deferred loss on refunding | 118,318 | - |
| Total deferred outflows of resources | 248,595 | - |
| Accrued Liabilities | | |
| Current Liabilities | | |
| Accounts payable | 378,609 | 50,323 |
| Accrued liabilities | 23,850 | - |
| Accrued interest payable | 61,289 | - |
| Unearned revenue | 10,000 | - |
| Customer deposits | 785,101 | - |
| Compensated absences | 1,269 | - |
| Certificates of obligation – current | 290,000 | - |
| Bonds payable – current | 881,945 | - |
| Total current liabilities | 2,432,063 | 50,323 |
| Noncurrent Liabilities | | |
| Compensated absences | 11,418 | - |
| Certificates of obligation, net | 8,064,000 | - |
| Bonds payable, net | 6,758,643 | - |
| Net pension liability | 199,817 | - |
| Total OPEB liability | 25,218 | - |
| Total noncurrent liabilities | 15,059,096 | - |
| Total liabilities | 17,491,159 | 50,323 |
| Deferred Inflows of Resources | | |
| Deferred inflows of resources – Pension | 93,586 | - |
| Deferred inflows of resources – OPEB | 1,630 | - |
| Total deferred inflows of resources | 95,216 | - |
| Net Position | | |
| Net investment in capital assets | 17,165,698 | - |
| Restricted for: | | |
| Capital projects | 3,250,000 | - |
| Impact fees | 13,593,109 | - |
| Unrestricted | 11,162,598 | 1,834,689 |
| Total net position | \$ 45,171,405 | \$ 1,834,689 |

City of Royse City, Texas
Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
For the Year Ended September 30, 2022

| | <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 | \$ 7,912,423 | \$ - |
| Charges for services – sewer | 4,309,529 | - |
| Impact fees | 3,763,241 | - |
| Penalties | 201,410 | - |
| Miscellaneous | 316,019 | 350 |
| | <u>16,502,622</u> | <u>350</u> |
| Total operating revenues | | |
| Operating Expenses | | |
| Personnel services | 690,568 | - |
| Materials and supplies | 49,573 | - |
| Repairs and maintenance | 1,374,348 | - |
| Water purchases | 2,058,158 | - |
| Contractual services | 919,936 | - |
| Interceptor services | 1,485,559 | - |
| Depreciation | 717,634 | - |
| Other expense | - | 66,474 |
| | <u>7,295,776</u> | <u>66,474</u> |
| Total operating expenses | | |
| Operating income (loss) | <u>9,206,846</u> | <u>(66,124)</u> |
| Nonoperating Revenues (Expenses) | | |
| Intergovernmental | 1,647,016 | - |
| Investment earnings | 187,974 | 3,199 |
| Interest expense | (116,564) | - |
| | <u>1,718,426</u> | <u>3,199</u> |
| Total nonoperating revenues (expenses) | | |
| Income (loss) before capital contributions and transfers | 10,925,272 | (62,925) |
| Capital contributions | 4,165,372 | - |
| Transfers in | 1,250,000 | 158,099 |
| Transfers out | (300,000) | - |
| | <u>16,040,644</u> | <u>95,174</u> |
| Change in Net Position | | |
| Net Position, Beginning | <u>29,130,761</u> | <u>1,739,515</u> |
| Net Position, Ending | <u>\$ 45,171,405</u> | <u>\$ 1,834,689</u> |

City of Royse City, Texas
Statement of Cash Flows – Proprietary Funds
For the Year Ended September 30, 2022

| | Business-type Activities Water and Sewer Fund | Governmental Activities Internal Service Funds |
|--|--|---|
| Operating Activities | | |
| Receipts from customers and development | \$ 16,016,280 | \$ - |
| Receipt of customer deposits | 139,600 | - |
| Other operating receipts (payments) | - | 31,199 |
| Payments to suppliers for goods and services | (5,543,749) | (16,151) |
| Payments to employees for salaries and benefits | (715,403) | - |
| Net cash provided by (used in) operating activities | 9,896,728 | 15,048 |
| Noncapital and Related Financing Activities | | |
| Transfers from other funds | 1,250,000 | 158,099 |
| Transfers to other funds | (300,000) | - |
| Net cash provided by (used in) operating activities | 950,000 | 158,099 |
| Capital and Related Financing Activities | | |
| Acquisition and construction of capital assets | (4,762,274) | - |
| Principal paid on capital debt | (1,048,765) | - |
| Interest and fiscal charges paid on capital debt | (188,128) | - |
| Capital contributions | 4,165,372 | - |
| Other capital receipts | 10,000 | - |
| Net cash (used in) provided by capital and related financing activities | (1,823,795) | - |
| Investing Activities | | |
| Interest on investments | 187,972 | 3,199 |
| Net cash provided by investing activities | 187,972 | 3,199 |
| Net (decrease) increase in cash and cash equivalents | 9,210,905 | 176,346 |
| Cash and Cash Equivalents, Beginning of Year (Including \$17,849,316 Reported as Restricted Assets) | 25,552,901 | 1,708,666 |
| Cash and Cash Equivalents, End of Year (Including \$23,872,428 Reported as Restricted Assets) | \$ 34,763,806 | \$ 1,885,012 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | |
| Operating income (loss) | \$ 9,206,846 | \$ (66,124) |
| Adjustment to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 717,634 | - |
| (Increases) decreases in assets and deferred outflows of resources: | | |
| Accounts receivable and unbilled revenue | (486,342) | 30,849 |
| Deferred outflows of resources | (523) | - |
| Increases (decreases) in liabilities and deferred inflows of resources: | | |
| Accounts payable | 342,597 | 50,323 |
| Accrued liabilities | 1,228 | - |
| Customer deposits | 139,600 | - |
| Compensated absences | 2,075 | - |
| Pension liability | (87,181) | - |
| OPEB liability | 1,800 | - |
| Deferred inflows of resources | 58,994 | - |
| Total adjustments | 689,882 | 81,172 |
| Net cash provided by (used in) operating activities | \$ 9,896,728 | \$ 15,048 |
| Schedule of Non-cash Capital and Related Financing Activities | | |
| Construction in progress payments in accounts payable | \$ 213,316 | - |

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Notes to Basic Financial Statements

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City of Royse City, Texas

Notes to Financial Statements

September 30, 2022

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, 2022 are not issued.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2022

Basis of Presentation

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

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

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

City of Royse City, Texas

Notes to Financial Statements

September 30, 2022

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

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

The City reports the following major business-type fund:

The *Water and Sewer Fund* is used to account for the operations of the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems, as well as the accumulation of resources for the development of land, specifically related to the expansion of wastewater infrastructure in the Bear Pen Basin and Verandah 1 lift station improvements.

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.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2022

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service principal and interest expenditures on general long-term debt, as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

Budgetary Policy and Control

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

The following procedures are followed in establishing the budgetary data:

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

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

City of Royse City, Texas

Notes to Financial Statements

September 30, 2022

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

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

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.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2022

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

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

Business-type Activities

| | | |
|------------------------------------|--------|----------------|
| Capital projects | \$ | 12,244,218 |
| Impact fees | | 10,843,109 |
| Customer deposits | | 785,101 |
| Total Restricted Assets | \$ | 23,872,428 |

Lease Receivable

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

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

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

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

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

City of Royse City, Texas
Notes to Financial Statements
September 30, 2022

Capital Assets

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

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

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

Unearned Revenue

In the governmental activities and ARPA Grant Fund, unearned revenue of \$3,650,153 represents intergovernmental monies received in advance as part of the COVID-19-Coronavirus State and Local Fiscal Recovery Funds program during fiscal year 2022 and 2021. The City did not spend any of these funds as of September 30, 2022 and will recognize revenue as qualifying expenses are incurred.

Compensated Absences

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

City of Royse City, Texas

Notes to Financial Statements

September 30, 2022

Long-term Debt

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

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

Pensions

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

Defined Benefit Other Postemployment Benefits

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

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.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2022

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

City of Royse City, Texas

Notes to Financial Statements

September 30, 2022

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.

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.

City of Royse City, Texas

Notes to Financial Statements

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- **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.

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, 2022, the City was in compliance with this policy as unassigned fund balance in the General Fund was equal to 40 percent of current year expenditures.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2022

| | General Fund | Debt Service | Capital Projects Fund | General Capital/CIP Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------|---------------------|---------------------|-----------------------------|--------------------------------|-----------------------------------|--------------------------------|
| Restricted for | | | | | | |
| Debt service | \$ - | \$ 1,342,710 | \$ - | \$ - | \$ - | \$ 1,342,710 |
| Capital projects | - | - | 26,978,886 | 6,586,355 | 3,681,440 | 37,246,681 |
| Roadway fees | - | - | - | - | 3,135,696 | 3,135,696 |
| Police | - | - | - | - | 30,545 | 30,545 |
| Municipal court use | - | - | - | - | 104,542 | 104,542 |
| Hotel motel use | - | - | - | - | 292,057 | 292,057 |
| Public improvement | - | - | - | - | 1,229,560 | 1,229,560 |
| Community development | - | - | - | - | 846,144 | 846,144 |
| Assigned | | | | | | |
| General government | 250,000 | - | - | - | - | 250,000 |
| Library | - | - | - | - | 1,209 | 1,209 |
| Senior center | - | - | - | - | 5,630 | 5,630 |
| Parks and recreation | - | - | - | - | 23,983 | 23,983 |
| Public safety | - | - | - | - | 9,898 | 9,898 |
| Public works | 600,000 | - | - | - | 54,576 | 654,576 |
| Animal control | - | - | - | - | 45,912 | 45,912 |
| Unassigned | 4,815,806 | - | - | - | - | 4,815,806 |
| Total | <u>\$ 5,665,806</u> | <u>\$ 1,342,710</u> | <u>\$ 26,978,886</u> | <u>\$ 6,586,355</u> | <u>\$ 9,461,192</u> | <u>\$ 50,034,949</u> |

Interfund Activity

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

Use of Estimates

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

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.

City of Royse City, Texas

Notes to Financial Statements

September 30, 2022

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

Adoption of New Accounting Standards

GASB Statement No. 87, *Leases*, establishes new guidance for lease accounting for lessees and lessors and eliminates the classification of leases as either operating or capital leases. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Lessees will recognize a lease liability and an intangible right-to-use lease asset, when applicable. Lessors will recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The City has implemented this Statement in fiscal year 2022.

Future Financial Reporting Requirements

The City has reviewed GASB pronouncements that become effective in future years and notes the following statements are applicable to the City.

Statement No. 91, *Conduit Debt Obligations* – This statement provides a single method of reporting conduit debt and clarifies that these obligations are not government liabilities. This statement will be effective for the City in fiscal year 2023. The City will evaluate the potential impact on the City's net position.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – This statement addresses issues related to public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs). This statement will be effective for the City in fiscal year 2023. The City will evaluate the potential impact on the City's net position.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This statement provides guidance on subscription-based information technology arrangements (SBITAs) to further report on government's obligations and assets from SBITAs. This statement will be effective for the City in fiscal year 2023. The City will evaluate the potential impact on the City's net position.

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62 – This statement improves the clarity and requirements for accounting changes and error corrections. This statement will be effective for the City in fiscal year 2024.

GASB Statement No. 101, *Compensated Absences* – This statement addresses the recognition and measurement of compensated absences. This statement will be effective for the City in fiscal year 2025. The City will evaluate the potential impact on the City's net position.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2022

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, 2022, the carrying amount of the City's deposits (cash and interest-bearing savings accounts) was \$16,574,355 and the bank balances totaled \$16,945,675. At September 30, 2022, the carrying amount of the Corporation's cash and cash equivalents was \$4,050,919 and the bank balances totaled \$4,102,025.

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, 2022, 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.
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*.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2022

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.

Fair Value of Investments

As of September 30, 2022, 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 | \$ 74,134,683 | \$ - | \$ - | \$ - |
| Total investments | <u>\$ 74,134,683</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

City of Royse City, Texas

Notes to Financial Statements

September 30, 2022

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, 2022, 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.

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.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2022

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, 2022, 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):

| <u>Fund Type</u> | <u>2022</u> |
|-------------------|-------------------|
| General Fund | \$ 0.40600 |
| Debt Service Fund | <u>0.21550</u> |
| Total | <u>\$ 0.62150</u> |

Note 4: Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for doubtful accounts) line for certain funds and aggregated columns. The detail of receivables for the general fund, debt service fund, nonmajor governmental funds, and water and sewer fund including the applicable allowances for uncollectible accounts, as of September 30, 2022, are as follows:

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Water and Sewer Fund</u> | <u>Total</u> |
|---------------------------------------|-------------------------|----------------------------------|--|-------------------------------------|---------------------|
| Receivables: | | | | | |
| Ad valorem taxes | \$ 91,919 | \$ 48,790 | \$ - | \$ - | \$ 140,709 |
| Sales taxes | 914,005 | - | - | - | 914,005 |
| Court fines | 369,447 | - | - | - | 369,447 |
| Charges for services | - | - | - | 2,228,271 | 2,228,271 |
| Other | 399,597 | - | 54,589 | - | 454,186 |
| Gross receivables | <u>1,774,968</u> | <u>48,790</u> | <u>54,589</u> | <u>2,228,271</u> | <u>4,106,618</u> |
| Less: allowance for doubtful accounts | <u>(298,374)</u> | <u>(11,300)</u> | <u>-</u> | <u>(390,974)</u> | <u>(700,648)</u> |
| Net receivables | <u>\$ 1,476,594</u> | <u>\$ 37,490</u> | <u>\$ 54,589</u> | <u>\$ 1,837,297</u> | <u>\$ 3,405,970</u> |

Note 5: Lease Receivable

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

City of Royse City, Texas
Notes to Financial Statements
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The City recognized \$20,428 in lease revenue and \$9,678 in interest revenue during the current fiscal year related to these leases. As of September 30, 2022, the City’s receivable for lease payments was \$269,877. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2022, the balance of the deferred inflow of resources was \$265,565.

The CDC recognized \$10,326 in lease revenue and \$1,744 in interest revenue during the current fiscal year related to these leases. As of September 30, 2022, the CDC’s receivable for lease payments was \$208,274. Also, the CDC has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2022, the balance of the deferred inflow of resources was \$196,204.

The following is a schedule by year of minimum payments to be received under the City’s and CDC’s leases that are included in the measurement of the lease receivable as of September 30, 2022:

| Year Ending September 30, | Principal | Interest | Total Receipts |
|----------------------------------|-------------------|------------------|-----------------------|
| 2023 | \$ 41,740 | \$ 17,654 | \$ 59,394 |
| 2024 | 62,257 | 13,937 | 76,194 |
| 2025 | 64,463 | 11,731 | 76,194 |
| 2026 | 66,747 | 9,447 | 76,194 |
| 2027 | 62,406 | 7,132 | 69,538 |
| 2028-2032 | 106,397 | 22,573 | 128,970 |
| 2033-2037 | <u>74,141</u> | <u>4,025</u> | <u>78,166</u> |
| Totals | <u>\$ 478,151</u> | <u>\$ 86,499</u> | <u>\$ 564,650</u> |

City of Royse City, Texas
Notes to Financial Statements
September 30, 2022

Note 6: Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|----------------------|--------------|-----------|-----------|-------------------|
| Governmental Activities | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 2,159,796 | \$ 315,852 | \$ - | \$ - | \$ 2,475,648 |
| Construction in progress | 81,165 | 542,339 | - | (113,235) | 510,269 |
| Total capital assets not being depreciated | 2,240,961 | 858,191 | - | (113,235) | 2,985,917 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 24,628,090 | 5,274,584 | - | 113,235 | 30,015,909 |
| Machinery and equipment | 1,238,288 | 73,394 | - | - | 1,311,682 |
| Vehicles | 4,181,092 | 466,620 | (55,750) | - | 4,591,962 |
| Totals capital assets being depreciated | 30,047,470 | 5,814,598 | (55,750) | 113,235 | 35,919,553 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (3,683,503) | (659,608) | - | - | (4,343,111) |
| Machinery and equipment | (943,171) | (66,012) | - | - | (1,009,183) |
| Vehicles | (2,293,072) | (319,542) | 55,750 | - | (2,556,864) |
| Total accumulated depreciation | (6,919,746) | (1,045,162) | 55,750 | - | (7,909,158) |
| Total capital assets, net | \$ 25,368,685 | \$ 5,627,627 | \$ - | \$ - | \$ 30,996,312 |
| Business-type Activities | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,484,387 | \$ 68,614 | \$ - | \$ - | \$ 1,553,001 |
| Construction in progress | 215,692 | 2,106,340 | - | - | 2,322,032 |
| Total capital assets not being depreciated | 1,700,079 | 2,174,954 | - | - | 3,875,033 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 39,551 | - | - | - | 39,551 |
| Water and sewer system | 26,309,636 | 2,587,320 | - | - | 28,896,956 |
| Machinery and equipment | 664,160 | - | - | - | 664,160 |
| Totals capital assets being depreciated | 27,013,347 | 2,587,320 | - | - | 29,600,667 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (39,551) | - | - | - | (39,551) |
| Water and sewer system | (7,900,995) | (690,083) | - | - | (8,591,078) |
| Machinery and equipment | (556,454) | (27,551) | - | - | (584,005) |
| Total accumulated depreciation | (8,497,000) | (717,634) | - | - | (9,214,634) |
| Total capital assets, net | \$ 20,216,426 | \$ 4,044,640 | \$ - | \$ - | \$ 24,261,066 |

City of Royse City, Texas
Notes to Financial Statements
September 30, 2022

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|----------------------|------------|-----------|-----------|-------------------|
| Component Unit | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 981,698 | \$ - | \$ - | \$ - | \$ 981,698 |
| Construction in progress | - | 104,735 | - | - | 104,735 |
| Total capital assets not being depreciated | 981,698 | 104,735 | - | - | 1,086,433 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 181,100 | - | - | - | 181,100 |
| Totals capital assets being depreciated | 181,100 | - | - | - | 181,100 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (144,880) | (3,622) | - | - | (148,502) |
| Total accumulated depreciation | (144,880) | (3,622) | - | - | (148,502) |
| Total capital assets, net | \$ 1,017,918 | \$ 101,113 | \$ - | \$ - | \$ 1,119,031 |

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

Governmental Activities

| | |
|--|---------------------|
| General Government | \$ 90,254 |
| Public Safety | 445,547 |
| Public Works | 422,504 |
| Community Development | 5,242 |
| Culture and Recreation | 81,615 |
| Total depreciation expense – governmental activities | <u>\$ 1,045,162</u> |

Business-type Activities

| | |
|---|-------------------|
| Water and Sewer | \$ 717,634 |
| Total depreciation expense – business-type activities | <u>\$ 717,634</u> |

Component Unit

| | |
|--|-----------------|
| Royse City Community Development Corporation | \$ 3,622 |
| Total depreciation expense – component unit | <u>\$ 3,622</u> |

Construction Commitments

Outstanding commitments at September 30, 2022, under authorized construction contracts were approximately \$607,108. The outstanding commitments for the projects were funded primarily from bond proceeds.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2022

Note 7: Long-term Debt

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2022, is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|------------------------------|----------------------|-----------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | |
| General obligation bonds | \$ 3,566,004 | \$ - | \$ (546,235) | \$ 3,019,769 | \$ 552,189 |
| Certificates of obligation | 12,031,000 | - | (1,405,000) | 10,626,000 | 770,000 |
| Private placement debt | - | 25,120,000 | - | 25,120,000 | 1,115,000 |
| Total | 15,597,004 | 25,120,000 | (1,951,235) | 38,765,769 | 2,437,189 |
| Premium on bonds | 812,193 | - | (71,413) | 740,780 | 71,413 |
| Total bonds payable | 16,409,197 | 25,120,000 | (2,022,648) | 39,506,549 | 2,508,602 |
| Compensated absences | 334,412 | 281,290 | (224,201) | 391,501 | 39,151 |
| Governmental activity long-term liability | <u>\$ 16,743,609</u> | <u>\$ 25,401,290</u> | <u>\$ (2,246,849)</u> | <u>\$ 39,898,050</u> | <u>\$ 2,547,753</u> |
| Business-type Activities | | | | | |
| General obligation bonds | \$ 7,253,996 | \$ - | \$ (883,765) | \$ 6,370,231 | \$ 782,811 |
| Certificates of obligation | 8,519,000 | - | (165,000) | 8,354,000 | 290,000 |
| Total | 15,772,996 | - | (1,048,765) | 14,724,231 | 1,072,811 |
| Premium on bonds | 1,369,490 | - | (99,133) | 1,270,357 | 99,134 |
| Total bonds payable | 17,142,486 | - | (1,147,898) | 15,994,588 | 1,171,945 |
| Compensated absences | 10,612 | 11,011 | (8,936) | 12,687 | 1,269 |
| Total business-type activities | <u>\$ 17,153,098</u> | <u>\$ 11,011</u> | <u>\$ (1,156,834)</u> | <u>\$ 16,007,275</u> | <u>\$ 1,173,214</u> |
| Component Unit | | | | | |
| Compensated absences | <u>\$ 7,240</u> | <u>\$ 6,563</u> | <u>\$ (7,280)</u> | <u>\$ 6,523</u> | <u>\$ 652</u> |

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

City of Royse City, Texas
Notes to Financial Statements
September 30, 2022

Changes in Governmental Long-Term Debt

| | Interest Rate Payable | Original Amounts Issued | Amounts Outstanding | | Retired/Refunded | Amounts Outstanding | | Due Within One Year |
|---------------------------------|-----------------------|-------------------------|---------------------|---------------|------------------|---------------------|--------------|---------------------|
| | | | September 30, 2021 | Issued | | September 30, 2022 | | |
| 2017 GO Refunding | 1-4% | 4,675,000 | 3,255,000 | - | (520,000) | 2,735,000 | 525,000 | |
| 2020 GO Refunding | 2-5% | 340,101 | 311,004 | - | (26,235) | 284,769 | 27,189 | |
| 2006 Certificates of Obligation | 4.03% | 1,875,000 | 655,000 | - | (655,000) | - | - | |
| 2016 Certificates of Obligation | 2-3% | 1,915,000 | 1,175,000 | - | (140,000) | 1,035,000 | 145,000 | |
| 2017 Certificates of Obligation | 3.05% | 3,190,000 | 2,506,000 | - | (120,000) | 2,386,000 | 120,000 | |
| 2018 Certificates of Obligation | 3-4% | 3,265,000 | 2,475,000 | - | (180,000) | 2,295,000 | 185,000 | |
| 2019 Certificates of Obligation | 2-4% | 5,005,000 | 4,680,000 | - | (195,000) | 4,485,000 | 200,000 | |
| 2020 Certificates of Obligation | 2-5% | 660,000 | 540,000 | - | (115,000) | 425,000 | 120,000 | |
| 2022 Certificates of Obligation | 3.29% | 25,120,000 | - | 25,120,000 | - | 25,120,000 | 1,115,000 | |
| Total bonds payable | | \$ 46,045,101 | \$ 15,597,004 | \$ 25,120,000 | \$ (1,951,235) | \$ 38,765,769 | \$ 2,437,189 | |

A description of each debt series follows:

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

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

\$1,875,000 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.

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

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

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

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

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

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

Long-term debt services requirements are as follows:

| Year Ending September 30, | Principal | Interest | Total Requirements |
|----------------------------------|----------------------|----------------------|---------------------------|
| 2023 | \$ 2,437,189 | \$ 1,301,838 | \$ 3,739,027 |
| 2024 | 2,385,143 | 1,267,199 | 3,652,342 |
| 2025 | 2,277,574 | 1,180,416 | 3,457,990 |
| 2026 | 2,360,528 | 1,089,863 | 3,450,391 |
| 2027 | 2,245,482 | 999,872 | 3,245,354 |
| 2028-2032 | 8,794,313 | 3,828,719 | 12,623,032 |
| 2033-2037 | 9,785,540 | 2,355,852 | 12,141,392 |
| 2038-2042 | 8,480,000 | 812,151 | 9,292,151 |
| Totals | <u>\$ 38,765,769</u> | <u>\$ 12,835,910</u> | <u>\$ 51,601,679</u> |

City of Royse City, Texas
Notes to Financial Statements
September 30, 2022

Changes in Business-Type Long-Term Debt

| | Interest Rate Payable | Amounts Original Issue | Amounts Outstanding September 30, | | Retired | Amounts Outstanding September 30, 2022 | Due Within One Year |
|---------------------------------|-----------------------------|------------------------------|---|--------|----------------|---|---------------------------|
| | | | 2021 | Issued | | | |
| 2014 GO Refunding Bonds | 1.5-3.5% | 4,695,000 | 2,375,000 | - | (350,000) | 2,025,000 | 230,000 |
| 2017 GO Refunding Bonds | 3.05-4% | 2,970,000 | 1,930,000 | - | (285,000) | 1,645,000 | 295,000 |
| 2020 GO Refunding Bonds | 3.05-4% | 3,224,899 | 2,948,996 | - | (248,765) | 2,700,231 | 257,811 |
| 2016 Certificates of Obligation | 2-3% | 575,000 | 455,000 | - | (25,000) | 430,000 | 25,000 |
| 2017 Certificates of Obligation | 3.00% | 1,460,000 | 1,249,000 | - | (60,000) | 1,189,000 | 60,000 |
| 2020 Certificates of Obligation | 2-5% | 6,930,000 | 6,815,000 | - | (80,000) | 6,735,000 | 205,000 |
| Total bonds payable | | \$ 19,854,899 | \$ 15,772,996 | \$ - | \$ (1,048,765) | \$ 14,724,231 | \$ 1,072,811 |

A description of the debt series follows:

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

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

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

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

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

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

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Long-term debt service requirements are as follows:

| Year Ending September 30, | Principal | Interest | Total Requirements |
|----------------------------------|----------------------|---------------------|---------------------------|
| 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 | 1,244,518 | 320,927 | 1,565,445 |
| 2028-2032 | 4,035,687 | 991,672 | 4,947,359 |
| 2033-2037 | 2,174,460 | 452,086 | 2,685,284 |
| 2038-2042 | 1,650,000 | 226,226 | 1,876,226 |
| 2043-2045 | 1,070,000 | 48,489 | 1,118,488 |
| Totals | <u>\$ 14,724,231</u> | <u>\$ 3,768,102</u> | <u>\$ 18,471,071</u> |

Note 8: Defined Benefit Pension Plan

Plan Description

The City of Royse City participates as one of 921 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmrs.com.

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

City of Royse City, Texas
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Benefits Provided

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

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

Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 28 |
| Inactive employees entitled to but not yet receiving benefits | 68 |
| Active employees | 87 |
| | 183 |

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 15.47 percent and 15.79 percent in calendar years 2021 and 2022, respectively. The City’s contributions to TMRS for the year ended September 30, 2022, were \$982,380 and were equal to the required contributions.

Net Pension Liability

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

City of Royse City, Texas
Notes to Financial Statements
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Actuarial Assumptions

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.5% per year |
| Overall payroll growth | 2.75% per year |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

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

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

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

City of Royse City, Texas
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The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|----------------------------------|--------------------------|--|
| Global Equity | 35.0% | 7.55% |
| Core Fixed Income | 6.0% | 2.00% |
| Non-Core Fixed Income | 20.0% | 5.68% |
| Other Public and Private Markets | 12.0% | 7.22% |
| Real Estate | 12.0% | 6.85% |
| Hedge Funds | 5.0% | 5.35% |
| Private Equity | 10.0% | 10.00% |
| Total | <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, 2022

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, 2021 | \$ 13,166,689 | \$ 10,915,724 | \$ 2,250,965 |
| Changes for the year: | | | |
| Service cost | 1,056,413 | - | 1,056,413 |
| Interest | 916,444 | - | 916,444 |
| Change of benefit terms | - | - | - |
| Difference between expected and actual experience | (10,729) | - | (10,729) |
| Changes of assumptions | - | - | - |
| Contributions – employer | - | 843,277 | (843,277) |
| Contributions – employee | - | 381,573 | (381,573) |
| Net investment income | - | 1,427,588 | (1,427,588) |
| Benefit payments, including refunds of employee contributions | (235,905) | (235,905) | - |
| Administrative expense | - | (6,584) | 6,584 |
| Other changes | - | 44 | (44) |
| Net changes | <u>1,726,223</u> | <u>2,409,993</u> | <u>(683,770)</u> |
| Balance at September 30, 2022 | <u>\$ 14,892,912</u> | <u>\$ 13,325,717</u> | <u>\$ 1,567,195</u> |
| Proportionate share and net pension liability reporting in: | | | |
| Primary Government | | 96.87% | \$ 1,518,142 |
| Royse City Community Development Corporation | | <u>3.13%</u> | <u>49,053</u> |
| Total | | <u>100%</u> | <u>\$ 1,567,195</u> |

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

The following presents the Net Pension Liability/(Asset) 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%) |
|--|--------------------------|--|
| \$ 4,103,790 | \$ 1,567,195 | \$ (474,981) |

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, 2022, the City and its component unit recognized pension expense of \$742,465.

At September 30, 2022, 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 | \$ 226,910 | \$ 8,360 |
| Changes in actuarial assumptions | 17,961 | - |
| Difference between projected and actual investment earnings | - | 725,649 |
| Contributions subsequent to the measurement date | 736,125 | - |
| Total | \$ 980,996 | \$ 734,009 |

City of Royse City, Texas
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\$736,125 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a decrease in the Net Pension Liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|-------|---------------------|
| 2023 | \$ (28,004) |
| 2024 | (188,591) |
| 2025 | (133,138) |
| 2026 | <u>(139,405)</u> |
| Total | <u>\$ (489,138)</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 9: Postemployment Benefits Other Than Pensions

Plan Description

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

Benefits Provided

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

City of Royse City, Texas
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Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 16 |
| Inactive employees entitled to but not yet receiving benefits | 12 |
| Active employees | 87 |
| Total | 115 |

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 0.14 percent and 0.15 percent for calendar year 2022 and 2021, respectively. The retiree portion of the total SBDF contribution rates for the City were 0.05 percent and 0.06 percent in calendar year 2022 and 2021, respectively.

The City's contributions to the SDBF for the years ended September 30, 2022 and 2021 were \$8,915 and \$8,402, 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, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

| | |
|----------------------------|---|
| Inflation rate | 2.50% per year |
| Discount rate | 1.84% as of December 31, 2021 (2.00% as of December 31, 2020) |
| Actuarial cost method | Entry Age Normal Method |
| Projected salary increases | 3.50% to 11.50% including inflation |

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

For disabled annuitants, the mortality tables for healthy retirees is used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5 percent and 3 percent minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

Discount Rate

The discount rate used to measure the Total OPEB Liability as of December 31, 2021, was 1.84 percent, compared to 2 percent as of December 31, 2020. 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, 2021.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|-----------------------------|
| Balance at October 1, 2021 | \$ 183,673 |
| Changes for the year: | |
| Service cost | 15,808 |
| Interest | 3,799 |
| Difference between expected and actual experience | (8,401) |
| Changes of assumptions | 6,181 |
| Benefit payments | (3,271) |
| Net changes | 14,116 |
| Balance at September 30, 2022 | \$ 197,789 |

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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 1.84 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 (.84 percent) or 1-percentage-point higher (2.84 percent) than the current rate:

| | 1% Decrease in Discount Rate (0.84%) | Current Discount Rate (1.84%) Assumption | 1% Increase in Discount Rate (2.84%) |
|----------------------|--|---|--|
| Total OPEB liability | \$ 243,841 | \$ 197,789 | \$ 162,584 |

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$26,346.

At September 30, 2022, 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 | \$ - | \$ 9,050 |
| Changes in actuarial assumptions | 40,782 | 3,735 |
| Total | \$ 40,782 | \$ 12,785 |

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

| | |
|------------|-----------|
| 2023 | \$ 6,739 |
| 2024 | 6,739 |
| 2025 | 5,698 |
| 2026 | 6,671 |
| 2027 | 2,456 |
| Thereafter | (306) |
| Total | \$ 27,997 |

City of Royse City, Texas
Notes to Financial Statements
September 30, 2022

Allocation of OPEB Items

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

Note 10: Due to/From Other Funds

The following is a summary of due to/from other funds at September 30, 2022:

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

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

Note 11: Interfund Transactions

Current transfers between funds during the year were as follows:

| <u>Transfers out</u> | <u>Transfers in</u> | | | | <u>Totals Transfers Out</u> |
|------------------------------|-------------------------|---|----------------------------|-----------------------------------|-------------------------------------|
| | <u>General Fund</u> | <u>General Capital/CIP Fund</u> | <u>Water and Sewer</u> | <u>Internal Service Funds</u> | |
| General Fund | \$ - | \$ 3,235,000 | \$ - | \$ 158,099 | 3,393,099 |
| Non-major governmental funds | 2,000 | - | 1,250,000 | - | 1,252,000 |
| Water and Sewer Fund | <u>300,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>300,000</u> |
| Total transfers in | <u>\$ 302,000</u> | <u>\$ 3,235,000</u> | <u>\$ 1,250,000</u> | <u>\$ 158,099</u> | <u>\$ 4,945,099</u> |

Transfers are used to: 1) operational transfer for Water and Sewer; 2) transfer monies for fixed asset purchases; and 3) to transfer monies to establish Bearpen Basin Sewer fund in accordance with the capital improvement agreement.

City of Royse City, Texas
Notes to Financial Statements
September 30, 2022

Note 12: Tax Incentive Rebates

The City has two active Incentive Rebates that were used to attract businesses that generate incremental tax revenues. The agreements are subject to Chapter 380 of the Texas Local Government Code that promotes local economic development, commercial activity and business stimulation. City Council approves the agreements via resolution. As part of the agreements, the City agrees to rebate a portion of the sales tax after confirmation of payment. If the businesses do not meet the obligations as set forth in the agreements in a particular year, the businesses forego the rebates in that year. For the year ended September 30, 2022, the amount of sales tax rebated for both agreements was approximately \$475,000.

Note 13: Commitments and Contingencies

Risk Management

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

Litigation

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

Note 14: Additional Water and Sewer Information

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

City of Royse City, Texas
Notes to Financial Statements
September 30, 2022

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.

The District has long-term contracts with the City to supply treated water and sewer treatment. The City’s water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City is contractually obligated to make sufficient payments to the NTMWD, recognized as operating expenses by the City and as revenues by NTMWD, for the proportional share of regional operating expenses and redemption and payment of the City’s portion of certain NTMWD revenue bonds as they become due. Payments under these contracts totaled approximately \$2,100,000 for the water system and approximately \$1,500,000 for the sewer system during the fiscal year.

Note 15: Special Assessment Districts

The Waterscape, Creekshaw, Creekside, and Parkside PIDs have issued debt to finance infrastructure improvements and facilities within their boundaries. The City has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not recorded as long-term debt of the City. The outstanding balance of each of the debt issuances as of September 30, 2022, is as follows:

| | |
|--|----------------------|
| Waterscape PID No. 1 Phase 1A Special Assessment Revenue Bonds, Series 2017 | \$ 3,190,000 |
| Waterscape PID, MIA Special Assessment Revenue Bonds, Series 2017 | 4,895,000 |
| Waterscape PID No.1 Phase 1B Special Assessment Revenue Bonds, Series 2019 | 2,645,000 |
| Waterscape PID No. 1 Phase 2A Special Assessment Revenue Bonds, Series 2019 | 8,270,000 |
| Waterscape PID No. 1 Phase 3A Special Assessment Revenue Bonds, Series 2022 | 8,070,000 |
| Parkside PID Special Assessment Revenue Bonds, Series 2019 | 7,000,000 |
| Creekshaw PID No.1 Phase 1A Special Assessment Revenue Bonds, Series 2020 | 5,550,000 |
| 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>7,330,000</u> |
| Total | <u>\$ 50,630,000</u> |

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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, 2022

| | Budgeted Amounts | | Actual | Variance with |
|--|---------------------|---------------------|---------------------|-------------------------------------|
| | Original | Final | Amounts | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | | | | |
| Property | \$ 5,103,700 | \$ 5,248,000 | \$ 5,181,239 | \$ (66,761) |
| Franchise | 602,000 | 601,800 | 576,980 | (24,820) |
| Sales | 3,680,000 | 4,717,000 | 4,764,459 | 47,459 |
| Beverage | - | 34,900 | 39,200 | 4,300 |
| Fines and forfeitures | 204,000 | 241,400 | 277,135 | 35,735 |
| Licenses and permits | 1,311,500 | 3,517,000 | 3,669,280 | 152,280 |
| Charges for services | - | 679,000 | 942,219 | 263,219 |
| Intergovernmental | 505,000 | 235,000 | 234,019 | (981) |
| Investment income | - | 35,000 | 119,169 | 84,169 |
| Miscellaneous | 44,000 | 18,900 | 20,011 | 1,111 |
| | <u>11,450,200</u> | <u>15,328,000</u> | <u>15,823,711</u> | <u>495,711</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 3,235,800 | 3,498,950 | 3,414,541 | 84,409 |
| Public safety | 4,854,100 | 5,208,150 | 5,158,669 | 49,481 |
| Public works | 232,800 | 407,300 | 404,939 | 2,361 |
| Community development | 1,169,300 | 1,202,250 | 1,171,176 | 31,074 |
| Culture and recreation | 1,209,425 | 1,180,750 | 1,131,421 | 49,329 |
| Capital outlay | 800,000 | 836,000 | 893,830 | (57,830) |
| | <u>11,501,425</u> | <u>12,333,400</u> | <u>12,174,576</u> | <u>158,824</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(51,225)</u> | <u>2,994,600</u> | <u>3,649,135</u> | <u>654,535</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 305,000 | 305,000 | 302,000 | (3,000) |
| Transfers out | (1,116,200) | (2,257,400) | (3,393,099) | (1,135,699) |
| | <u>(811,200)</u> | <u>(1,952,400)</u> | <u>(3,091,099)</u> | <u>(1,138,699)</u> |
| Net Change in Fund Balances | (862,425) | 1,042,200 | 558,036 | (484,164) |
| Fund Balances, Beginning | <u>5,107,770</u> | <u>5,107,770</u> | <u>5,107,770</u> | <u>-</u> |
| Fund Balances, Ending | <u>\$ 4,245,345</u> | <u>\$ 6,149,970</u> | <u>\$ 5,665,806</u> | <u>\$ (484,164)</u> |

City of Royse City, Texas
Notes to Required Budgetary Information
September 30, 2022

Budgetary Controls and Procedures

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

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

City of Royse City, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System (Unaudited)
September 30, 2022

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

Other Information:

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

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

City of Royse City, Texas
Schedule of Employer's Contributions
Texas Municipal Retirement System (Unaudited)
September 30, 2022

| | Fiscal Year | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Actuarially determined contribution | \$ 276,233 | \$ 402,912 | \$ 506,859 | \$ 597,472 | \$ 709,950 | \$ 751,545 | \$ 832,953 | \$ 982,380 |
| 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> | <u>982,380</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 | \$ 6,253,794 |
| Contributions as a percentage of covered payroll | 10.31% | 12.01% | 15.27% | 15.58% | 16.04% | 15.50% | 15.44% | 15.71% |

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 | 23 years (longest amortization ladder) |
| Asset Valuation Method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50%, including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018 |
| Mortality | Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. Post-retirement: 2019 Municipal Retirees of Texas Mortality tables. The rates are projected on a fully generational basis with scale UMP. |

Other Information:

Notes There were no benefit changes during the year.

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

City of Royse City, Texas
Schedule of Changes in the Total OPEB Liability and Related Ratios
Texas Municipal Retirement System – Supplemental Death Benefits (Unaudited)
For the Year Ended September 30, 2022

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

Notes to Schedule:

Changes of benefit terms: None

Changes of assumptions:

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

| | |
|------|-------|
| 2017 | 3.31% |
| 2018 | 3.71% |
| 2019 | 2.75% |
| 2020 | 2.00% |
| 2021 | 1.84% |

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, 2022

| | 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 | \$ 24,154 | \$ 49,629 | \$ 69 | \$ 284,013 | \$ 3,178,376 | \$ 6,909 | \$ 36,271 | \$ 494,102 |
| Receivables (net of allowance for uncollectibles) | - | - | - | 8,044 | - | - | - | - |
| Total assets | <u>24,154</u> | <u>49,629</u> | <u>69</u> | <u>292,057</u> | <u>3,178,376</u> | <u>6,909</u> | <u>36,271</u> | <u>494,102</u> |
| Liabilities | | | | | | | | |
| Accounts payable | - | - | - | - | 42,680 | - | - | - |
| Accrued liabilities | - | - | - | - | - | - | 19,305 | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>42,680</u> | <u>-</u> | <u>19,305</u> | <u>-</u> |
| Fund Balances | | | | | | | | |
| Restricted | 24,154 | 49,629 | 69 | 292,057 | 3,135,696 | 6,909 | 16,966 | 494,102 |
| Assigned | - | - | - | - | - | - | - | - |
| Total fund balances | <u>24,154</u> | <u>49,629</u> | <u>69</u> | <u>292,057</u> | <u>3,135,696</u> | <u>6,909</u> | <u>16,966</u> | <u>494,102</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 24,154</u> | <u>\$ 49,629</u> | <u>\$ 69</u> | <u>\$ 292,057</u> | <u>\$ 3,178,376</u> | <u>\$ 6,909</u> | <u>\$ 36,271</u> | <u>\$ 494,102</u> |

City of Royse City, Texas
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
September 30, 2022

| | 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 | \$ 420 | \$ 32,199 | \$ 5,630 | \$ 55,292 | \$ 24,156 | \$ 37,655 | \$ 28,039 |
| Receivables (net of allowance for uncollectibles) | - | - | - | - | - | - | 145 | - |
| Total assets | <u>789</u> | <u>420</u> | <u>32,199</u> | <u>5,630</u> | <u>55,292</u> | <u>24,156</u> | <u>37,800</u> | <u>28,039</u> |
| Liabilities | | | | | | | | |
| Accounts payable | - | - | 1,509 | - | 716 | 173 | - | 21,464 |
| Accrued liabilities | - | - | - | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>1,509</u> | <u>-</u> | <u>716</u> | <u>173</u> | <u>-</u> | <u>21,464</u> |
| Fund Balances | | | | | | | | |
| Restricted | - | - | 30,690 | - | - | - | - | - |
| Assigned | 789 | 420 | - | 5,630 | 54,576 | 23,983 | 37,800 | 6,575 |
| Total fund balances | <u>789</u> | <u>420</u> | <u>30,690</u> | <u>5,630</u> | <u>54,576</u> | <u>23,983</u> | <u>37,800</u> | <u>6,575</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 789</u> | <u>\$ 420</u> | <u>\$ 32,199</u> | <u>\$ 5,630</u> | <u>\$ 55,292</u> | <u>\$ 24,156</u> | <u>\$ 37,800</u> | <u>\$ 28,039</u> |

City of Royse City, Texas
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
September 30, 2022

| | Special Revenue | | | | | | | |
|---|--|---------------------------|--|------------------------------------|---|---|--------------------|---------------------------|
| | Animal Shelter New Building Fund | Fire Donations Fund | Park Recreation Programs Fund | Battle of the Badges Fund | Union Square Public Improvement District | Waterscape Public Improvement District | Waterscape TIRZ | Special Escrow Fund |
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 8,112 | \$ 3,323 | \$ 37,629 | \$ 6,670 | \$ 1,023,876 | \$ 9,291 | \$ 205,616 | \$ 503,000 |
| Receivables (net of allowance for uncollectibles) | - | - | - | - | - | - | - | - |
| Total assets | <u>8,112</u> | <u>3,323</u> | <u>37,629</u> | <u>6,670</u> | <u>1,023,876</u> | <u>9,291</u> | <u>205,616</u> | <u>503,000</u> |
| Liabilities | | | | | | | | |
| Accounts payable | - | - | - | - | - | - | - | - |
| Accrued liabilities | - | - | - | - | - | 9,223 | - | 503,000 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,223</u> | <u>-</u> | <u>503,000</u> |
| Fund Balances | | | | | | | | |
| Restricted | - | - | 37,629 | 6,670 | 1,023,876 | 68 | 205,616 | - |
| Assigned | 8,112 | 3,323 | - | - | - | - | - | - |
| Total fund balances | <u>8,112</u> | <u>3,323</u> | <u>37,629</u> | <u>6,670</u> | <u>1,023,876</u> | <u>68</u> | <u>205,616</u> | <u>-</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 8,112</u> | <u>\$ 3,323</u> | <u>\$ 37,629</u> | <u>\$ 6,670</u> | <u>\$ 1,023,876</u> | <u>\$ 9,291</u> | <u>\$ 205,616</u> | <u>\$ 503,000</u> |

City of Royse City, Texas
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
September 30, 2022

| | <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 | \$ 762,115 | \$ 3,187,338 | \$ 10,004,673 |
| Receivables (net of allowance for uncollectibles) | 46,400 | - | 54,589 |
| Total assets | <u>808,515</u> | <u>3,187,338</u> | <u>10,059,262</u> |
| Liabilities | | | |
| Accounts payable | - | - | 66,542 |
| Accrued liabilities | - | - | 531,528 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>598,070</u> |
| Fund Balances | | | |
| Restricted | 808,515 | 3,187,338 | 9,319,984 |
| Assigned | - | - | 141,208 |
| Total fund balances | <u>808,515</u> | <u>3,187,338</u> | <u>9,461,192</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 808,515</u> | <u>\$ 3,187,338</u> | <u>\$ 10,059,262</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, 2022

| | 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 | | | | 79,670 | | | | |
| Fines and forfeitures | 6,187 | 7,157 | | | | | 2,035 | |
| Impact fees | | | | | 1,009,311 | | | 162,900 |
| Development fees | | | | | | | | |
| Contributions and donations | | | | | | | | |
| Miscellaneous | | | | | | | | |
| Investment income | 80 | 93 | | 581 | 22,152 | 19 | 82 | 846 |
| Total revenues | <u>6,267</u> | <u>7,250</u> | <u>-</u> | <u>80,251</u> | <u>1,031,463</u> | <u>19</u> | <u>2,117</u> | <u>163,746</u> |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| General government | | | | 72,963 | | | | |
| Public safety | 2,734 | | | | | 4,770 | 8,735 | |
| Public works | | | | | 234,310 | | | |
| Culture and recreation | | | | | | | | |
| Total expenditures | <u>2,734</u> | <u>-</u> | <u>-</u> | <u>72,963</u> | <u>234,310</u> | <u>4,770</u> | <u>8,735</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>3,533</u> | <u>7,250</u> | <u>-</u> | <u>7,288</u> | <u>797,153</u> | <u>(4,751)</u> | <u>(6,618)</u> | <u>163,746</u> |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers in | | | | | | | | |
| Transfers out | | | | | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | <u>3,533</u> | <u>7,250</u> | <u>-</u> | <u>7,288</u> | <u>797,153</u> | <u>(4,751)</u> | <u>(6,618)</u> | <u>163,746</u> |
| Fund Balances, Beginning | <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> |
| Fund balances, Ending | <u>\$ 24,154</u> | <u>\$ 49,629</u> | <u>\$ 69</u> | <u>\$ 292,057</u> | <u>\$ 3,135,696</u> | <u>\$ 6,909</u> | <u>\$ 16,966</u> | <u>\$ 494,102</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, 2022

| | 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 | - | - | 7,903 | - | - | - | - | - |
| Impact fees | - | - | - | - | - | - | - | - |
| Development fees | - | - | - | - | - | - | - | - |
| Contributions and donations | - | - | - | 200 | 27,345 | 11,400 | 6,630 | 2,380 |
| Miscellaneous | - | - | - | - | - | - | - | - |
| Investment income | - | 1 | 59 | 12 | 103 | 38 | 77 | 56 |
| Total revenues | <u>-</u> | <u>1</u> | <u>7,962</u> | <u>212</u> | <u>27,448</u> | <u>11,438</u> | <u>6,707</u> | <u>2,436</u> |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| General government | - | - | - | - | - | - | 8,794 | - |
| Public safety | - | - | 2,954 | - | - | - | - | 929 |
| Public works | - | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | 16,696 | 2,807 | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>2,954</u> | <u>-</u> | <u>16,696</u> | <u>2,807</u> | <u>8,794</u> | <u>929</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>1</u> | <u>5,008</u> | <u>212</u> | <u>10,752</u> | <u>8,631</u> | <u>(2,087)</u> | <u>1,507</u> |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | (2,000) | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(2,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | <u>-</u> | <u>1</u> | <u>3,008</u> | <u>212</u> | <u>10,752</u> | <u>8,631</u> | <u>(2,087)</u> | <u>1,507</u> |
| Fund Balances, Beginning | <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> |
| Fund balances, Ending | <u>\$ 789</u> | <u>\$ 420</u> | <u>\$ 30,690</u> | <u>\$ 5,630</u> | <u>\$ 54,576</u> | <u>\$ 23,983</u> | <u>\$ 37,800</u> | <u>\$ 6,575</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, 2022

| | Special Revenue | | | | | | | |
|--|--|---------------------------|--|------------------------------------|---|---|--------------------|---------------------------|
| | Animal Shelter New Building Fund | Fire Donations Fund | Park Recreation Programs Fund | Battle of the Badges Fund | Union Square Public Improvement District | Waterscape Public Improvement District | Waterscape TIRZ | Special Escrow Fund |
| Revenues | | | | | | | | |
| Taxes: | | | | | | | | |
| Property | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 191,751 | \$ - |
| Hotel motel | - | - | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - | - | - |
| Impact fees | - | - | - | - | - | - | - | - |
| Development fees | - | - | - | - | - | - | - | - |
| Contributions and donations | 15 | 1,900 | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | 304,884 | - | - | - |
| Investment income | 16 | 8 | 76 | 14 | 5,364 | 21 | - | - |
| Total revenues | <u>31</u> | <u>1,908</u> | <u>76</u> | <u>14</u> | <u>310,248</u> | <u>21</u> | <u>191,751</u> | <u>-</u> |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| General government | - | - | - | - | 172,170 | 1 | 36,575 | - |
| Public safety | - | 2,138 | - | - | - | - | - | - |
| Public works | - | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - | - |
| Total expenditures | <u>-</u> | <u>2,138</u> | <u>-</u> | <u>-</u> | <u>172,170</u> | <u>1</u> | <u>36,575</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>31</u> | <u>(230)</u> | <u>76</u> | <u>14</u> | <u>138,078</u> | <u>20</u> | <u>155,176</u> | <u>-</u> |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | <u>31</u> | <u>(230)</u> | <u>76</u> | <u>14</u> | <u>138,078</u> | <u>20</u> | <u>155,176</u> | <u>-</u> |
| Fund Balances, Beginning | <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> |
| Fund balances, Ending | <u>\$ 8,112</u> | <u>\$ 3,323</u> | <u>\$ 37,629</u> | <u>\$ 6,670</u> | <u>\$ 1,023,876</u> | <u>\$ 68</u> | <u>\$ 205,616</u> | <u>\$ -</u> |

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, 2022

| | Capital Projects | | |
|--|-------------------|---------------------|---------------------|
| | Park | Verandah | Total |
| | Development | Development | Nonmajor |
| | Fees | Fees | Governmental |
| | <u>Fund</u> | <u>Fund</u> | <u>Funds</u> |
| Revenues | | | |
| Taxes: | | | |
| Property | \$ - | \$ - | \$ 191,751 |
| Hotel motel | - | - | 79,670 |
| Fines and forfeitures | - | - | 23,282 |
| Impact fees | - | - | 1,172,211 |
| Development fees | 317,900 | 2,172,500 | 2,490,400 |
| Contributions and donations | - | - | 49,870 |
| Miscellaneous | - | - | 304,884 |
| Investment income | 1,286 | 6,307 | 37,291 |
| Total revenues | <u>319,186</u> | <u>2,178,807</u> | <u>4,349,359</u> |
| Expenditures | | | |
| Current | | | |
| General government | - | - | 290,503 |
| Public safety | - | - | 22,260 |
| Public works | - | - | 234,310 |
| Culture and recreation | - | - | 19,503 |
| Total expenditures | <u>-</u> | <u>-</u> | <u>566,576</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>319,186</u> | <u>2,178,807</u> | <u>3,782,783</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | - | - |
| Transfers out | <u>-</u> | <u>(1,250,000)</u> | <u>(1,252,000)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>(1,250,000)</u> | <u>(1,252,000)</u> |
| Net Change in Fund Balances | 319,186 | 928,807 | 2,530,783 |
| Fund Balances, Beginning | <u>489,329</u> | <u>2,258,531</u> | <u>6,930,409</u> |
| Fund balances, Ending | <u>\$ 808,515</u> | <u>\$ 3,187,338</u> | <u>\$ 9,461,192</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, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | | | | |
| Property | \$ 2,702,500 | \$ 2,702,500 | \$ 2,692,947 | \$ (9,553) |
| Investment income | 2,500 | 2,500 | 36,673 | 34,173 |
| | <u>2,705,000</u> | <u>2,705,000</u> | <u>2,729,620</u> | <u>24,620</u> |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | 1,951,300 | 1,951,300 | 1,951,235 | 65 |
| Interest | 866,800 | 895,100 | 895,241 | (141) |
| | <u>2,818,100</u> | <u>2,846,400</u> | <u>2,846,476</u> | <u>(76)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(113,100)</u> | <u>(141,400)</u> | <u>(116,856)</u> | <u>24,544</u> |
| Net Change in Fund Balances | (113,100) | (141,400) | (116,856) | 24,544 |
| Fund Balances, Beginning | <u>1,459,566</u> | <u>1,459,566</u> | <u>1,459,566</u> | <u>-</u> |
| Fund Balances, Ending | <u>\$ 1,346,466</u> | <u>\$ 1,318,166</u> | <u>\$ 1,342,710</u> | <u>\$ 24,544</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, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive(Negative) |
|--|------------------|---------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Investment income | \$ 20,000 | \$ 20,000 | \$ 95,740 | \$ 75,740 |
| Total revenues | 20,000 | 20,000 | 95,740 | 75,740 |
| Expenditures | | | | |
| Bond issuance cost | - | - | 120,000 | (120,000) |
| Capital outlay | 750,000 | 628,800 | 498,540 | 130,260 |
| Total expenditures | 750,000 | 628,800 | 618,540 | 10,260 |
| Excess (deficiency) of revenues over (under) expenditures | (730,000) | (608,800) | (522,800) | 86,000 |
| Other Financing Sources (Uses) | | | | |
| Issuance of long-term debt | - | 25,000,000 | 25,120,000 | 120,000 |
| Total other financing sources (uses) | - | 25,000,000 | 25,120,000 | 120,000 |
| Net Change in Fund Balances | (730,000) | 24,391,200 | 24,597,200 | 206,000 |
| Fund Balances, Beginning | 2,381,686 | 2,381,686 | 2,381,686 | - |
| Fund Balances, Ending | \$ 1,651,686 | \$ 26,772,886 | \$ 26,978,886 | \$ 206,000 |

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, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|---------------|-------------------|--|
| | Original | Final | | |
| Operating Revenues | | | | |
| Charges for services – water | \$ 4,975,000 | \$ 6,766,000 | \$ 7,912,423 | \$ 1,146,423 |
| Charges for services – sewer | 3,450,000 | 4,116,000 | 4,309,529 | 193,529 |
| Impact fees | 1,200,000 | 3,600,000 | 3,763,241 | 163,241 |
| Penalties | 100,000 | 200,000 | 201,410 | 1,410 |
| Miscellaneous | 110,000 | 298,500 | 316,019 | 17,519 |
| | | | | |
| Total revenues | 9,835,000 | 14,980,500 | 16,502,622 | 1,522,122 |
| Operating Expenses | | | | |
| Personnel services | 854,700 | 727,000 | 690,568 | 36,432 |
| Materials and supplies | 279,700 | 253,000 | 49,573 | 203,427 |
| Repairs and maintenance | 1,133,300 | 1,838,800 | 1,374,348 | 464,452 |
| Water purchases | 2,159,900 | 2,159,900 | 2,058,158 | 101,742 |
| Contractual services | 1,074,300 | 1,074,850 | 919,936 | 154,914 |
| Interceptor services | 1,913,400 | 1,913,400 | 1,485,559 | 427,841 |
| Depreciation | 717,634 | 717,634 | 717,634 | - |
| | | | | |
| Total operating expenses | 8,132,934 | 8,684,584 | 7,295,776 | 1,388,808 |
| | | | | |
| Operating income | 1,702,066 | 6,295,916 | 9,206,846 | 2,910,930 |
| Nonoperating Revenues (Expenses) | | | | |
| Intergovernmental | - | - | 1,647,016 | 1,647,016 |
| Investment earnings | 17,500 | 52,000 | 187,974 | 135,974 |
| Interest expense | - | (237,075) | (116,564) | 120,511 |
| | | | | |
| Total nonoperating revenues (expenses) | 17,500 | (185,075) | 1,718,426 | 1,903,501 |
| | | | | |
| Income (loss) before capital contributions and transfers | 1,719,566 | 6,110,841 | 10,925,272 | 4,814,431 |
| Capital contributions | - | - | 4,165,372 | 4,165,372 |
| Transfers in | - | - | 1,250,000 | 1,250,000 |
| Transfers out | - | (300,000) | (300,000) | - |
| | | | | |
| Change in Net Position | 1,719,566 | 5,810,841 | 16,040,644 | 10,229,803 |
| | | | | |
| Net Position, Beginning | 29,130,761 | 29,130,761 | 29,130,761 | - |
| | | | | |
| Net Position, Ending | \$ 30,850,327 | \$ 34,941,602 | \$ 45,171,405 | \$ 10,229,803 |

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, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Fines and forfeitures | \$ 5,000 | \$ 4,500 | \$ 6,187 | \$ 1,687 |
| Investment income | - | 50 | 80 | 30 |
| Total revenues | 5,000 | 4,550 | 6,267 | 1,717 |
| Expenditures | | | | |
| Public safety | 2,500 | 3,000 | 2,734 | 266 |
| Total expenditures | 2,500 | 3,000 | 2,734 | 266 |
| Excess (deficiency) of revenues over (under) expenditures | 2,500 | 1,550 | 3,533 | 1,983 |
| Net Change in Fund Balances | 2,500 | 1,550 | 3,533 | 1,983 |
| Fund Balances, Beginning | 20,621 | 20,621 | 20,621 | - |
| Fund Balances, Ending | \$ 23,121 | \$ 22,171 | \$ 24,154 | \$ 1,983 |

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, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Fines and forfeitures | \$ 5,000 | \$ 5,400 | \$ 7,157 | \$ 1,757 |
| Investment income | - | 100 | 93 | (7) |
| Total revenues | 5,000 | 5,500 | 7,250 | 1,750 |
| Expenditures | | | | |
| Public safety | 5,000 | 3,000 | - | 3,000 |
| Total expenditures | 5,000 | 3,000 | - | 3,000 |
| Excess (deficiency) of revenues over (under) expenditures | - | 2,500 | 7,250 | 4,750 |
| Net Change in Fund Balances | - | 2,500 | 7,250 | 4,750 |
| Fund Balances, Beginning | 42,379 | 42,379 | 42,379 | - |
| Fund Balances, Ending | \$ 42,379 | \$ 44,879 | \$ 49,629 | \$ 4,750 |

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, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|------------------------------------|-------------------------|-------------------|---------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | | | | |
| Hotel motel | \$ 80,000 | \$ 70,000 | \$ 79,670 | \$ 9,670 |
| Investment income | 500 | 500 | 581 | 81 |
| Total revenues | <u>80,500</u> | <u>70,500</u> | <u>80,251</u> | <u>9,751</u> |
| Expenditures | | | | |
| General government | 50,000 | 69,500 | 72,963 | (3,463) |
| Total expenditures | <u>50,000</u> | <u>69,500</u> | <u>72,963</u> | <u>(3,463)</u> |
| Net Change in Fund Balances | 30,500 | 1,000 | 7,288 | 6,288 |
| Fund Balances, Beginning | <u>284,769</u> | <u>284,769</u> | <u>284,769</u> | <u>-</u> |
| Fund Balances, Ending | <u>\$ 315,269</u> | <u>\$ 285,769</u> | <u>\$ 292,057</u> | <u>\$ 6,288</u> |

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Police Forfeiture Federal Fund
For the Year Ended September 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Investment income | \$ - | \$ - | \$ 19 | \$ 19 |
| Total revenues | <u>-</u> | <u>-</u> | <u>19</u> | <u>19</u> |
| Expenditures | | | | |
| Public safety | 2,500 | 5,000 | 4,770 | 230 |
| Total expenditures | <u>2,500</u> | <u>5,000</u> | <u>4,770</u> | <u>230</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,500)</u> | <u>(5,000)</u> | <u>(4,751)</u> | <u>249</u> |
| Net Change in Fund Balances | (2,500) | (5,000) | (4,751) | 249 |
| Fund Balances, Beginning | <u>11,660</u> | <u>11,660</u> | <u>11,660</u> | <u>-</u> |
| Fund Balances, Ending | <u>\$ 9,160</u> | <u>\$ 6,660</u> | <u>\$ 6,909</u> | <u>\$ 249</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, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - |
|--|------------------|------------------|-------------------|---------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues | | | | |
| Fines and forfeitures | \$ - | \$ 18,500 | \$ 2,035 | \$ (16,465) |
| Investment income | - | 100 | 82 | (18) |
| Total revenues | <u>-</u> | <u>18,600</u> | <u>2,117</u> | <u>(16,483)</u> |
| Expenditures | | | | |
| Public safety | <u>1,000</u> | <u>8,700</u> | <u>8,735</u> | <u>(35)</u> |
| Total expenditures | <u>1,000</u> | <u>8,700</u> | <u>8,735</u> | <u>(35)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,000)</u> | <u>9,900</u> | <u>(6,618)</u> | <u>(16,518)</u> |
| Net Change in Fund Balances | (1,000) | 9,900 | (6,618) | (16,518) |
| Fund Balances, Beginning | <u>23,584</u> | <u>23,584</u> | <u>23,584</u> | <u>-</u> |
| Fund Balances, Ending | <u>\$ 22,584</u> | <u>\$ 33,484</u> | <u>\$ 16,966</u> | <u>\$ (16,518)</u> |

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Juvenile Case Management Fund
For the Year Ended September 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - |
|--|------------------|------------------|-------------------|---------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues | | | | |
| Fines and forfeitures | \$ 6,400 | \$ 6,400 | \$ 7,903 | \$ 1,503 |
| Investment income | 50 | 50 | 59 | 9 |
| Total revenues | <u>50</u> | <u>6,450</u> | <u>7,962</u> | <u>1,512</u> |
| Expenditures | | | | |
| Public safety | <u>1,800</u> | <u>1,500</u> | <u>2,954</u> | <u>(1,454)</u> |
| Total expenditures | <u>1,800</u> | <u>1,500</u> | <u>2,954</u> | <u>(1,454)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,750)</u> | <u>4,950</u> | <u>5,008</u> | <u>58</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | <u>-</u> | <u>2,000</u> | <u>(2,000)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>2,000</u> | <u>(2,000)</u> | <u>-</u> |
| Net Change in Fund Balances | (1,750) | 6,950 | 3,008 | 58 |
| Fund Balances, Beginning | <u>27,682</u> | <u>27,682</u> | <u>27,682</u> | <u>-</u> |
| Fund Balances, End | <u>\$ 25,932</u> | <u>\$ 34,632</u> | <u>\$ 30,690</u> | <u>\$ 58</u> |

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Senior Center Donations Fund
For the Year Ended September 30, 2022

| | <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 | \$ - | \$ 200 | \$ 200 | \$ - |
| Investment income | 25 | - | 12 | 12 |
| Total revenues | <u>25</u> | <u>200</u> | <u>212</u> | <u>12</u> |
| Expenditures | | | | |
| Culture and recreation | <u>1,000</u> | <u>1,000</u> | - | <u>(1,000)</u> |
| Total expenditures | <u>1,000</u> | <u>1,000</u> | - | <u>(1,000)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(975)</u> | <u>(800)</u> | <u>212</u> | <u>1,012</u> |
| Net Change in Fund Balances | (975) | (800) | 212 | 1,012 |
| Fund Balances, Beginning | <u>5,418</u> | <u>5,418</u> | <u>5,418</u> | <u>-</u> |
| Fund Balances, Ending | <u>\$ 4,443</u> | <u>\$ 4,618</u> | <u>\$ 5,630</u> | <u>\$ 1,012</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, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Contributions and donations | \$ 25,000 | \$ 27,500 | \$ 27,345 | \$ (155) |
| Investment income | 100 | 100 | 103 | 3 |
| Total revenues | <u>25,100</u> | <u>27,600</u> | <u>27,448</u> | <u>(152)</u> |
| Expenditures | | | | |
| Culture and recreation | 25,000 | 25,000 | 16,696 | (8,304) |
| Total expenditures | <u>25,000</u> | <u>25,000</u> | <u>16,696</u> | <u>(8,304)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>100</u> | <u>2,600</u> | <u>10,752</u> | <u>8,152</u> |
| Net Change in Fund Balances | 100 | 2,600 | 10,752 | 8,152 |
| Fund Balances, Beginning | <u>43,824</u> | <u>43,824</u> | <u>43,824</u> | <u>-</u> |
| Fund Balances, Ending | <u>\$ 43,924</u> | <u>\$ 46,424</u> | <u>\$ 54,576</u> | <u>\$ 8,152</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, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Contributions and donations | \$ - | \$ 6,600 | \$ 11,400 | \$ 4,800 |
| Investment income | - | - | 38 | 38 |
| Total revenues | <u>-</u> | <u>6,600</u> | <u>11,438</u> | <u>4,838</u> |
| Expenditures | | | | |
| Culture and recreation | <u>1,000</u> | <u>3,000</u> | <u>2,807</u> | <u>(193)</u> |
| Total expenditures | <u>1,000</u> | <u>3,000</u> | <u>2,807</u> | <u>(193)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,000)</u> | <u>3,600</u> | <u>8,631</u> | <u>5,031</u> |
| Net Change in Fund Balances | <u>(1,000)</u> | <u>3,600</u> | <u>8,631</u> | <u>5,031</u> |
| Fund Balances, Beginning | <u>15,352</u> | <u>15,352</u> | <u>15,352</u> | <u>-</u> |
| Fund Balances, Ending | <u>\$ 14,352</u> | <u>\$ 18,952</u> | <u>\$ 23,983</u> | <u>\$ 5,031</u> |

City of Royse City, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget
to Actual – Animal Control Donations Fund
For the Year Ended September 30, 2022

| | <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 | \$ 5,600 | \$ 6,630 | \$ 1,030 |
| Investment income | 100 | 100 | 77 | (23) |
| Total revenues | <u>5,100</u> | <u>5,700</u> | <u>6,707</u> | <u>1,007</u> |
| Expenditures | | | | |
| General government | 5,000 | 10,000 | 8,794 | (1,206) |
| Total expenditures | <u>5,000</u> | <u>10,000</u> | <u>8,794</u> | <u>(1,206)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>100</u> | <u>(4,300)</u> | <u>(2,087)</u> | <u>2,213</u> |
| Net Change in Fund Balances | 100 | (4,300) | (2,087) | 2,213 |
| Fund Balances, Beginning | <u>39,887</u> | <u>39,887</u> | <u>39,887</u> | <u>-</u> |
| Fund Balances, Ending | <u>\$ 39,987</u> | <u>\$ 35,587</u> | <u>\$ 37,800</u> | <u>\$ 2,213</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, 2022

| | <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 | \$ - | \$ 2,400 | \$ 2,380 | \$ (20) |
| Investment income | 50 | - | 56 | 56 |
| Total revenues | <u>50</u> | <u>2,400</u> | <u>2,436</u> | <u>36</u> |
| Expenditures | | | | |
| Public safety | <u>1,000</u> | <u>1,000</u> | <u>929</u> | <u>(71)</u> |
| Total expenditures | <u>1,000</u> | <u>1,000</u> | <u>929</u> | <u>(71)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(950)</u> | <u>1,400</u> | <u>1,507</u> | <u>107</u> |
| Net Change in Fund Balances | <u>(950)</u> | <u>1,400</u> | <u>1,507</u> | <u>107</u> |
| Fund Balances, Beginning | <u>5,068</u> | <u>5,068</u> | <u>5,068</u> | <u>-</u> |
| Fund Balances, Ending | <u>\$ 4,118</u> | <u>\$ 6,468</u> | <u>\$ 6,575</u> | <u>\$ 107</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, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|------------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Contributions and donations | \$ 1,000 | \$ 1,900 | \$ 1,900 | \$ - |
| Investment income | 50 | - | 8 | 8 |
| Total revenues | <u>1,050</u> | <u>1,900</u> | <u>1,908</u> | <u>8</u> |
| Expenditures | | | | |
| Public safety | <u>1,000</u> | <u>2,200</u> | <u>2,138</u> | <u>(62)</u> |
| Total expenditures | <u>1,000</u> | <u>2,200</u> | <u>2,138</u> | <u>(62)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>50</u> | <u>(300)</u> | <u>(230)</u> | <u>70</u> |
| Net Change in Fund Balances | 50 | (300) | (230) | 70 |
| Fund Balances, Beginning | <u>3,553</u> | <u>3,553</u> | <u>3,553</u> | <u>-</u> |
| Fund Balances, Ending | <u><u>\$ 3,603</u></u> | <u><u>\$ 3,253</u></u> | <u><u>\$ 3,323</u></u> | <u><u>\$ 70</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, 2022

| | <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 | \$ - | \$ - | \$ 76 | \$ 76 |
| Total revenues | <u>-</u> | <u>-</u> | <u>76</u> | <u>76</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>76</u> | <u>76</u> |
| Net Change in Fund Balances | - | - | 76 | 76 |
| Fund Balances, Beginning | <u>37,553</u> | <u>37,553</u> | <u>37,553</u> | <u>-</u> |
| Fund Balances, Ending | <u>\$ 37,553</u> | <u>\$ 37,553</u> | <u>\$ 37,629</u> | <u>\$ 76</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, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Impact fees | \$ 250,000 | \$ 980,000 | \$ 1,009,311 | \$ 29,311 |
| Investment income | 3,500 | 12,000 | 22,152 | 10,152 |
| Total revenues | <u>253,500</u> | <u>992,000</u> | <u>1,031,463</u> | <u>39,463</u> |
| Expenditures | | | | |
| Public works | 419,600 | 260,000 | 234,310 | (25,690) |
| Total expenditures | <u>419,600</u> | <u>260,000</u> | <u>234,310</u> | <u>(25,690)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(166,100)</u> | <u>732,000</u> | <u>797,153</u> | <u>65,153</u> |
| Net Change in Fund Balances | (166,100) | 732,000 | 797,153 | 65,153 |
| Fund Balances, Beginning | <u>2,338,543</u> | <u>2,338,543</u> | <u>2,338,543</u> | <u>-</u> |
| Fund Balances, Ending | <u>\$ 2,172,443</u> | <u>\$ 3,070,543</u> | <u>\$ 3,135,696</u> | <u>\$ 65,153</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, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|--------------------------|--------------------------|---------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Impact fees | \$ 50,000 | \$ 160,000 | \$ 162,900 | \$ 2,900 |
| Investment income | - | - | 846 | 846 |
| Total revenues | <u>50,000</u> | <u>160,000</u> | <u>163,746</u> | <u>3,746</u> |
| Expenditures | | | | |
| Public works | 25,000 | - | - | - |
| Total expenditures | <u>25,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>25,000</u> | <u>160,000</u> | <u>163,746</u> | <u>3,746</u> |
| Net Change in Fund Balances | 25,000 | 160,000 | 163,746 | 3,746 |
| Fund Balances, Beginning | <u>330,356</u> | <u>330,356</u> | <u>330,356</u> | <u>-</u> |
| Fund Balances, Ending | <u><u>\$ 355,356</u></u> | <u><u>\$ 490,356</u></u> | <u><u>\$ 494,102</u></u> | <u><u>\$ 3,746</u></u> |

City of Royse City, Texas
Combining Statement of Net Position – Internal Service Funds
September 30, 2022

| | Technology Replacement Fund | Vehicle Replacement Fund | Total |
|----------------------------|-----------------------------------|--------------------------------|--------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 464,292 | \$ 1,420,720 | \$ 1,885,012 |
| Total current assets | 464,292 | 1,420,720 | 1,885,012 |
| Total assets | 464,292 | 1,420,720 | 1,885,012 |
| Accrued Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | 2,849 | 47,474 | 50,323 |
| Total current liabilities | 2,849 | 47,474 | 50,323 |
| Total liabilities | 2,849 | 47,474 | 50,323 |
| Net Position | | | |
| Unrestricted | 461,443 | 1,373,246 | 1,834,689 |
| Total net position | \$ 461,443 | \$ 1,373,246 | \$ 1,834,689 |

City of Royse City, Texas
Combining Statement of Revenues, Expenses and
Changes in Net Position – Internal Service Funds
For the Year Ended September 30, 2022

| | Technology Replacement Fund | Vehicle Replacement Fund | Total |
|--------------------------------|--|---|--------------|
| Operating Revenues | | | |
| Miscellaneous | \$ - | 350 | \$ 350 |
| Total operating revenues | - | 350 | 350 |
| Operating Expenses | | | |
| Other expense | 18,006 | 48,468 | 66,474 |
| Total operating expenses | 18,006 | 48,468 | 66,474 |
| Operating loss | (18,006) | (48,118) | (66,124) |
| Nonoperating Revenues | | | |
| Investment earnings | 730 | 2,469 | 3,199 |
| Total nonoperating revenues | 730 | 2,469 | 3,199 |
| Loss before transfers | (17,276) | (45,649) | (62,925) |
| Transfers in | 110,500 | 47,599 | 158,099 |
| Change in Net Position | 93,224 | 1,950 | 95,174 |
| Net Position, Beginning | 368,219 | 1,371,296 | 1,739,515 |
| Net Position, Ending | \$ 461,443 | \$ 1,373,246 | \$ 1,834,689 |

City of Royse City, Texas
Combining Statement of Cash Flows – Internal Service Funds
For the Year Ended September 30, 2022

| | <u>Technology Replacement Fund</u> | <u>Vehicle Replacement Fund</u> | <u>Total</u> |
|--|--|---|---------------------|
| Operating Activities | | | |
| Other operating receipts (payments) | \$ - | \$ 31,199 | \$ 31,199 |
| Payments to suppliers for goods and services | (15,157) | (994) | (16,151) |
| Net cash used in operating activities | <u>(15,157)</u> | <u>30,205</u> | <u>15,048</u> |
| Noncapital and Related Financing Activities | | | |
| Transfers from other funds | <u>110,500</u> | <u>47,599</u> | <u>158,099</u> |
| Net cash provided by operating activities | <u>110,500</u> | <u>47,599</u> | <u>158,099</u> |
| Investing Activities | | | |
| Interest on investments | <u>730</u> | <u>2,469</u> | <u>3,199</u> |
| Net cash provided by investing activities | <u>730</u> | <u>2,469</u> | <u>3,199</u> |
| Net increase in cash and cash equivalents | 96,073 | 80,273 | 176,346 |
| Cash and Cash Equivalents, Beginning of Year | <u>368,219</u> | <u>1,340,447</u> | <u>1,708,666</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 464,292</u> | <u>\$ 1,420,720</u> | <u>\$ 1,885,012</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | | |
| Operating loss | \$ (18,006) | \$ (48,118) | \$ (66,124) |
| Adjustment to reconcile operating income to net cash provided by operating activities: | | | |
| Decreases in assets and deferred outflows of resources: | | | |
| Accounts receivable | - | 30,849 | 30,849 |
| Decreases in liabilities | | | |
| Accounts payable | <u>2,849</u> | <u>47,474</u> | <u>50,323</u> |
| Total adjustments | <u>2,849</u> | <u>78,323</u> | <u>81,172</u> |
| Net cash used in operating activities | <u>\$ (15,157)</u> | <u>\$ 30,205</u> | <u>\$ 15,048</u> |

City of Royse City, Texas
Balance Sheet
Royse City Community Development Corporation
September 30, 2022

| | Royse City Community Development Corporation |
|---|---|
| Assets | |
| Cash and cash equivalents | \$ 4,050,919 |
| Receivables (net of allowance for uncollectibles) | 304,668 |
| Lease receivable | <u>208,274</u> |
| Total assets | <u><u>4,563,861</u></u> |
| | |
| Liabilities | |
| Accounts payable | 84 |
| Accrued liabilities | <u>7,013</u> |
| Total liabilities | <u><u>7,097</u></u> |
| | |
| Deferred Inflows of Resources | |
| Lease related | <u>196,204</u> |
| Total deferred inflows of resources | <u><u>196,204</u></u> |
| | |
| Fund Balances | |
| Restricted | <u>4,360,560</u> |
| Total fund balance | <u><u>4,360,560</u></u> |
| | |
| Total liabilities, deferred inflows of resources and fund balance | <u><u>\$ 4,563,861</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, 2022

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

| | | |
|--|----|-----------|
| Total fund balance – governmental funds | \$ | 4,360,560 |
| Capital assets \$1,267,533 net of accumulated depreciation of \$148,502, used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements. | | 1,119,031 |
| 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 | | 30,705 |
| Deferred outflows – OPEB related | | 1,276 |
| Deferred inflows – pension related | | (22,974) |
| Deferred inflows – OPEB related | | (400) |
| Total deferred outflows and inflows related to postemployment benefits | | 8,607 |
| Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds. | | |
| Compensated absences | | (6,523) |
| Net pension liability | | (49,053) |
| Total OPEB liability | | (6,191) |
| Total long-term liabilities | | (61,767) |
| Net position of governmental activities | \$ | 5,426,431 |

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, 2022

| | Royse City Community Development Corporation |
|--|---|
| Revenues | |
| Taxes | |
| Sales | \$ 1,811,756 |
| Charges for services | 12,070 |
| Investment income | 3,257 |
| Miscellaneous | 3,033 |
| | |
| Total revenues | 1,830,116 |
| | |
| Expenditures | |
| Current | |
| General government | 685,530 |
| Capital outlay | 104,735 |
| | |
| Total expenditures | 790,265 |
| | |
| Excess (deficiency) of revenues over (under) expenditures | 1,039,851 |
| | |
| Net Change in Fund Balances | 1,039,851 |
| Fund Balances, Beginning | 3,320,709 |
| | |
| Fund Balances, Ending | \$ 4,360,560 |
| | |

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, 2022

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

| | | |
|---|----|-----------|
| Net change in fund balances – total governmental funds | \$ | 1,039,851 |
| <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 \$104,735 exceeded depreciation of \$3,622 in the current year.</p> | | |
| | | 101,113 |
| <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 | | 717 |
| Changes in pension liabilities and related deferred outflows and inflows of resources | | 7,327 |
| Changes in OPEB liabilities and related deferred outflows and inflows of resources | | (723) |
| | | 7,321 |
| Change in net position of governmental activities | \$ | 1,148,285 |