

**CITY OF VAN ALSTYNE, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2019**

City of Van Alstyne, Texas  
Annual Financial Report  
For the Year Ended September 30, 2019

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Van Alstyne, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Van Alstyne, Texas (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and TMRS pension and OPEB information on pages 3 - 7 and 47 - 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund budgetary comparison schedules and individual fund financial statements presented on pages 52-61 are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund budgetary comparison schedules and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund budgetary comparison schedules and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Van Alstyne, Texas internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "LaFollett & Company PLLC". The signature is written in a cursive, flowing style.

LaFollett & Company PLLC  
Tom Bean, Texas  
July 14, 2020

**CITY OF VAN ALSTYNE, TEXAS,  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of City of Van Alstyne's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the City's financial statements, which begin on page 8.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of FY19 by \$19,771,083. This is an increase of \$5,853,225 over FY18's net position value of \$13,917,858. Unrestricted net position at the close of FY19 is \$452,976 and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$5,853,225 or 42%, as a result of this year's operations and a \$2,694,087 capital contribution by developers.
- The City's governmental fund types on page 10 and 12 reported combined ending fund balances of \$2,985,110, which is an increase of \$407,831 in comparison with the prior year amount of \$2,577,279.
- The unassigned governmental fund balances of \$966,760 (32%) are available for spending at the City's discretion. The remainder of the governmental fund balances are restricted for a specific purpose, primarily capital projects and debt service. For 2019, the General Fund had approximately \$378,353 in monthly expenses, so the unassigned fund balance of \$966,760 represents 2.56 months of expenses.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 8 and 9). These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 10) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests. Proprietary fund financial statements report activity for the City's water, sewer, and sanitation operations.

The notes to the financial statements (starting on page 17) provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

**Reporting the City as a Whole – Government-Wide Financial Statements**

**The Statement of Net Position and the Statement of Activities**

Government-wide financial statements, which provide an analysis of the City's overall financial condition and operation, begin on page 8. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the City's assets, deferred inflow and outflows, and liabilities (including long-term items) while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year.

Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions, 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City however, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities, as well as, the component units:

**Governmental Activities** – City services such as police, fire protection and ambulance services, municipal court, street maintenance, parks, library, City administration, and interest on long-term debt are reported here. City property taxes and charges for services finance most of these activities.

**Business-Type Activities** - The City uses proprietary (business-type) funds to account for its water, sewer, and sanitation operations. The services are supported by monthly charges to citizens.

**Discretely Presented Component Units** - The Economic Development Corporation (EDC) and Community Development Corporation (CDC) are reported in separate columns to emphasize that they are separate entities.

### **Reporting the City's Most Significant Funds**

#### **Fund Financial Statements**

The fund financial statements begin on page 10 and provide detailed information about the most significant funds. The City's two kinds of funds-governmental and proprietary – use different accounting approaches.

**Governmental Funds** – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules found on pages 11 and 13.

**Proprietary Funds** – The City uses proprietary (business-type) funds to account for its water, sewer, and sanitation operations. The full-accrual basis of accounting is used for all proprietary type funds.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position serves as one useful indicator of a government's financial position. In the case of the City, net position is \$19,771,083 at the close of FY19. Seventy-nine percent (79%) of the City's net position is invested in capital assets; land, buildings, infrastructure, machinery and equipment, less any outstanding debt used to acquire these assets. The City uses capital assets to provide services to the citizens they serve; consequently, these assets are not available for future spending. The following is a summary of the Statement of Net Position and the Statement of Activities as of and for the year ended September 30, 2019:

### City of Van Alstyne - Statement of Net Position

	<u>FY19</u>	<u>FY18</u>
Current and other assets	\$6,311,637	\$6,918,701
Capital assets	28,271,862	22,129,718
Total assets	<u>34,583,499</u>	<u>29,048,419</u>
Deferred outflow of resources	360,737	125,991
Total deferred outflow of resources	<u>360,737</u>	<u>125,991</u>
Current liabilities	1,678,834	3,518,466
L-T liabilities	13,426,181	11,540,486
Total liabilities	<u>15,105,015</u>	<u>15,058,952</u>
Deferred inflow of resources	68,138	197,600
Total deferred outflow of resources	<u>68,138</u>	<u>197,600</u>
Net position		
Net investment in capital assets	15,716,342	10,452,595
Restricted	3,601,765	3,073,531
Unrestricted	452,976	391,732
Total net position	<u>\$ 19,771,083</u>	<u>\$ 13,917,858</u>

### City of Van Alstyne - Statement of Activities

Revenues:		
Program revenues	\$ 4,929,464	\$ 5,208,750
Operating grants and contributions	71,945	32,772
Capital grants and contributions	4,818,899	-
General revenues	3,237,895	2,878,605
Total revenues	<u>13,058,203</u>	<u>8,120,127</u>
Expenses:		
Water, sewer, and sanitation	2,664,427	2,565,047
General government	1,311,632	1,389,382
Police and communications	1,107,348	909,949
Fire protection and ambulance	875,880	754,516
Municipal court	100,685	331,478
Streets and infrastructure	539,922	346,075
Parks	292,684	275,147
Library	236,712	181,154
Interest	75,688	76,550
Total expenses	<u>7,204,978</u>	<u>6,829,298</u>
Increase in net position	5,853,225	1,290,829
Net position - beginning of year	13,917,858	12,591,203
Cumulative change in accounting principle	-	(54,914)
Prior period adjustment	-	90,740
Net position - end of year	<u>\$ 19,771,083</u>	<u>\$ 13,917,858</u>

## **FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

Net position of the City's governmental activities increased from \$6,358,599 to \$9,359,874. \$2,694,087 of the increase in net position of governmental activities is attributable to an increase in developer capital contributions. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is \$992,241 for governmental activities.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's Governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of \$2,985,110 compared to \$2,577,279 in FY18. This represents an increase of \$407,831 compared to last year's decrease of \$283,706.

Revenues for the City's General Fund (as shown on page 12) were \$4,350,077 while total expenditures were \$4,540,239. This resulted in a deficiency of revenues under expenditures in the amount of \$190,162 from current operations. Last year's result was a deficiency of revenues under expenditures in the amount of \$67,662.

The City's Water and Sewer Funds (as presented in the Statement of Net Position on page 14) reported a net position of \$10,411,209 compared to the net position \$7,559,259 in FY18. This represents an increase of \$2,851,950. \$2,124,812 of the increase in net position is attributable to developer capital contributions.

Revenues for the City's Water and Sewer Fund (as shown on page 15) were \$3,216,435 while total operating expenses were \$2,312,846. These totals plus non-operating items resulted in an increase in net position of \$2,851,952. Last year's result was a net increase of \$378,852. FY18 unrestricted net position of negative (\$788,149) was decreased to negative (\$539,265) in FY19. The negative unrestricted portion of net position (\$539,265) does not allow for any reserves for the Water and Sewer Fund.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The original adopted budget for the General Fund was amended. See General Fund Budgetary Comparison presented on page 47. A review of the actual expenditures compared to the appropriations in the General Fund budget yields several significant variances, as discussed below. The following is a summary discussion of General Fund budget variances for FY19:

### **Revenues were \$158,295 less than budgeted**

- Court revenues were \$227,440 (32%) less than budgeted because violation receipts were less than anticipated and the City adjusted revenue for payments remitted to the State.
- Intergovernmental revenues were \$117,688 (51%) less than budgeted due to decreased reimbursed salaries revenue.

### **Expenditures were \$34,724 more than budgeted**

- Total capital outlay expenditures were \$392,183 more than budgeted amounts due to the City not budgeting for capital outlays associated with capital asset additions.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets net of accumulated depreciation for all activities as of September 30, 2019 amounts to \$28,271,862, compared to \$22,129,718 at September 30, 2018. This investment in capital assets includes land, buildings and improvements, street improvements, city parks, machinery and equipment, and water and sewer facilities. Major capital asset purchases and capital contributions during the current fiscal year included the construction of shared use paths and water lines, as well as, the purchase of equipment, water and sewer system improvements, and street and infrastructure additions city wide in the net amount of \$6,142,145.

### **Long-term Debt**

At year-end, the City had total contractual obligations, bonds, notes and other debt outstanding of \$12,555,520. The City entered into new debt during the year in the original principal amount of \$1,445,000 for the purchase and construction of land sites for public parking facilities and a future municipal complex as well as municipal park and recreational improvements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The following economic factors currently affect the City and were considered in developing the 2019 – 2020 budget.

- The property tax rate decreased from \$0.595932 to \$0.584456 per \$100 assessed valuation. The rate decrease is due to ongoing residential and commercial development.
- Sales tax revenue continues to increase reflecting ongoing development. The City anticipates this trend will continue into the foreseeable future as a Stay Local/Shop Local initiative began in March of 2020 to encourage local patronage in the wake of the COVID-19 Pandemic.
- New home development continues at a rapid pace. The City has issued 63 new residential building permits in the first half of FY20 and 101 new residential building permits issued during FY19. This is a 63% increase over FY18. We anticipate the rate of building permit issuance will continue to climb as for the next five years as platted properties begin the process of construction.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, write to City Hall, at P.O. Box 247, Van Alstyne, Texas 75495-0247 or call (903) 482-5426.

City of Van Alstyne, Texas  
Statement of Net Position  
September 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,074,266	\$ 354,936	\$ 3,429,202	\$ 228,742	\$ 288,573
Receivables, net	862,535	417,965	1,280,500	158,072	34,991
Internal balances	(15,076)	15,076	-	-	-
Prepaid assets	9,260	-	9,260	-	-
Restricted Assets:					
Deposits held in trust by GTUA	-	1,592,675	1,592,675	-	-
Capital assets not being depreciated:					
Land	855,361	287,331	1,142,692	342,806	-
Construction in progress	549,501	1,237,176	1,786,677	-	-
Capital assets net of accumulated depreciation:					
Buildings and improvements	188,430	-	188,430	43,899	-
Machinery and equipment	661,940	263,111	925,051	-	-
Parks	424,641	-	424,641	-	-
Streets and infrastructure	6,813,711	16,990,660	23,804,371	-	-
Total Assets	<u>13,424,569</u>	<u>21,158,930</u>	<u>34,583,499</u>	<u>773,519</u>	<u>323,564</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows - OPEB	1,757	310	2,067	-	-
Deferred outflows - pension	304,865	53,805	358,670	-	-
Total Deferred Outflows of Resources	<u>306,622</u>	<u>54,115</u>	<u>360,737</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>					
Accounts payable	345,508	171,216	516,724	20,567	3,862
Accrued liabilities	71,726	30,638	102,364	4,285	-
Accrued interest	18,673	805,418	824,091	3,281	-
Customer deposits	-	206,795	206,795	-	-
Unearned revenue	-	28,860	28,860	-	-
Long term liabilities:					
Due within one year:					
Debt	349,674	539,493	889,167	9,343	-
Compensated absences	55,260	6,925	62,185	-	-
Due in more than one year:					
Debt	2,785,367	8,880,986	11,666,353	95,290	-
Total OPEB liability	60,457	10,670	71,127	-	-
Net pension liability	626,736	110,613	737,349	-	-
Total Liabilities	<u>4,313,401</u>	<u>10,791,614</u>	<u>15,105,015</u>	<u>132,766</u>	<u>3,862</u>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Deferred inflow - OPEB	2,646	467	3,113	-	-
Deferred inflow - pension	55,270	9,755	65,025	-	-
Total Deferred Inflows of Resources	<u>57,916</u>	<u>10,222</u>	<u>68,138</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	6,358,543	9,357,799	15,716,342	282,072	-
Restricted for:					
Deposits held in trust by GTUA	-	1,592,675	1,592,675	-	-
Capital projects	1,447,148	-	1,447,148	-	-
Debt service	430,657	-	430,657	-	-
Court security and technology	41,344	-	41,344	-	-
Police seizure	13,373	-	13,373	-	-
Streets	73,205	-	73,205	-	-
Library technology	3,363	-	3,363	-	-
Unrestricted	992,241	(539,265)	452,976	358,681	319,702
Total Net Position	<u>\$ 9,359,874</u>	<u>\$ 10,411,209</u>	<u>\$ 19,771,083</u>	<u>\$ 640,753</u>	<u>\$ 319,702</u>

The notes to the financial statements are an integral part of these financial statements.

## Net (Expense) Revenue and Changes in Net Position

The notes to the financial statements are an integral part of these financial statements.

City of Van Alstyne, Texas  
Balance Sheet  
Governmental Funds  
September 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,226,112	\$ 400,945	\$ 1,447,209	\$ 3,074,266
Prepays	9,260	-	-	9,260
Due from other funds	122,166	27,993	-	150,159
Receivables, net of allowance	841,628	20,907	-	862,535
Total assets	<u>2,199,166</u>	<u>449,845</u>	<u>1,447,209</u>	<u>4,096,220</u>
<b>LIABILITIES</b>				
Accounts payable	345,447	-	61	345,508
Accrued liabilities	71,726	-	-	71,726
Due to other funds	165,235	-	-	165,235
Total liabilities	<u>582,408</u>	<u>-</u>	<u>61</u>	<u>582,469</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues:				
Ambulance	398,431	-	-	398,431
Property taxes	53,138	19,188	-	72,326
Court fines	57,884	-	-	57,884
Total deferred inflows of resources	<u>509,453</u>	<u>19,188</u>	<u>-</u>	<u>528,641</u>
<b>FUND BALANCES</b>				
Nonspendable	9,260	-	-	9,260
Restricted for:				
Capital projects	-	-	1,447,148	1,447,148
Debt service	-	430,657	-	430,657
Court security and technology	41,344	-	-	41,344
Police seizure	13,373	-	-	13,373
Streets	73,205	-	-	73,205
Library technology	3,363	-	-	3,363
Unassigned	966,760	-	-	966,760
Total fund balances	<u>1,107,305</u>	<u>430,657</u>	<u>1,447,148</u>	<u>2,985,110</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,199,166</u>	<u>\$ 449,845</u>	<u>\$ 1,447,209</u>	<u>\$ 4,096,220</u>

The notes to the financial statements are an integral part of these financial statements.

City of Van Alstyne, Texas  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
For the Year Ended September 30, 2019

Amounts reported for the governmental activities in the Statement of Net Position (pg 8) are different because:

Total fund balances - governmental funds (pg 10)	\$ 2,985,110
Capital assets used in governmental activities are not financial resources. Therefore, they are not reported in the governmental funds.	9,493,584
Delinquent property taxes, ambulance revenue, and court fines are not current financial resources. Therefore, they are deferred in the governmental funds.	528,641
Long term liabilities, including bonds payable and compensated absences, are not due and payable in the current period. Therefore, they are not reported in the governmental funds.	(3,190,301)
Other net amounts, including interest payable on long term debt are not due in the current period. Therefore, they are not reported in the governmental funds.	(18,673)
Net pension liability is not a current financial use; therefore, it is not reported in the governmental funds.	(626,736)
Total OPEB liability is not a current financial use; therefore, it is not reported in the governmental funds.	(60,457)
Deferred outflows (inflows) of resources represent a consumption (source) of net position that applies to a future period(s) and are not recognized as an outflow (inflow) of resources (expense/expenditure) until then.	
Pension amounts	249,595
OPEB amounts	(889)
Net position of governmental activities (pg 8)	<u><u>\$ 9,359,874</u></u>

The notes to the financial statements are an integral part of these financial statements.

**City of Van Alstyne, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,350,269	\$ 341,680	\$ -	\$ 1,691,949
General sales and use	1,158,074	-	-	1,158,074
Franchise	206,986	-	-	206,986
Ambulance services	556,854	-	-	556,854
Contributions	65,546	-	125,065	190,611
Municipal court	482,849	-	-	482,849
License and permits	214,456	-	-	214,456
Intergovernmental	113,789	-	-	113,789
Fines and forfeitures	84,138	-	-	84,138
Developer construction fees	79,105	-	-	79,105
Park donations	9,385	-	46,740	56,125
Grants	15,820	-	-	15,820
Investment earnings	5,519	762	3,500	9,781
Library	7,287	-	-	7,287
Total revenues	<u>4,350,077</u>	<u>342,442</u>	<u>175,305</u>	<u>4,867,824</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,193,939	-	28,547	1,222,486
Police	797,986	-	-	797,986
Fire protection and ambulance	732,174	-	-	732,174
Municipal court	261,042	-	-	261,042
Emergency communications	224,286	-	-	224,286
Library	189,569	-	-	189,569
Parks	173,685	-	-	173,685
Streets and infrastructure	93,283	-	7,307	100,590
Debt Service:				
Principal	153,150	245,000	-	398,150
Interest	13,869	64,399	-	78,268
Debt issuance costs	-	-	81,742	81,742
Capital Outlay:				
Streets and infrastructure	165,775	-	891,804	1,057,579
Parks	409,648	-	-	409,648
Public Safety	107,322	-	-	107,322
Municipal court	18,301	-	-	18,301
Library	6,210	-	-	6,210
Total expenditures	<u>4,540,239</u>	<u>309,399</u>	<u>1,009,400</u>	<u>5,859,038</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(190,162)</u>	<u>33,043</u>	<u>(834,095)</u>	<u>(991,214)</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Proceeds from issuance of tax note payable	-	-	1,445,000	1,445,000
Proceeds from the issuance of bond premium	-	-	17,742	17,742
Proceeds from the sale of general capital assets	77,775	-	-	77,775
Transfers in (out)	<u>(88,113)</u>	<u>(186,472)</u>	<u>133,113</u>	<u>(141,472)</u>
Total other financing sources (uses)	<u>(10,338)</u>	<u>(186,472)</u>	<u>1,595,855</u>	<u>1,399,045</u>
Net change in fund balances	(200,500)	(153,429)	761,760	407,831
Fund balances - beginning	<u>1,307,805</u>	<u>584,086</u>	<u>685,388</u>	<u>2,577,279</u>
Fund balances - ending	<u>\$ 1,107,305</u>	<u>\$ 430,657</u>	<u>\$ 1,447,148</u>	<u>\$ 2,985,110</u>

The notes to the financial statements are an integral part of these financial statements.



City of Van Alstyne, Texas  
Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
For the Year Ended September 30, 2019

Amounts reported for the governmental activities in the Statement of Activities (pg 9)  
are different because:

Net change in fund balances - total governmental funds (pg 12)	\$ 407,831
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	1,599,060
Depreciation expense	(673,786)
Contributed capital assets are not recorded in the governmental funds financials, but the increase is recognized for the full accrual, government-wide financial statements.	
The effects of capital assets contributed to the City during the year are:	2,694,087
Governmental funds repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances.	
Long-term debt repaid in current year	398,150
New debt proceeds	(1,445,000)
Premium associated with the issuance of new debt	(17,742)
Governmental funds report some prior year tax, court, and ambulance revenues as income in the current year. However, in the Statement of Activities, the revenue is recognized in the year in which it is earned.	43,612
Accrued long term debt interest is not recorded in the governmental fund financials but the increase in the balance is recognized for the full accrual government-wide financial statements as interest expense.	2,580
Changes to accrued compensated absences are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	(5,601)
Full accrual based pension expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.	1,799
Full accrual based OPEB expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.	(3,715)
Change in net position of governmental activities (pg 9)	<u>\$ 3,001,275</u>

The notes to the financial statements are an integral part of these financial statements.

City of Van Alstyne, Texas  
Statement of Net Position  
Proprietary Fund  
September 30, 2019

	Water & Sewer Fund
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 354,936
Accounts receivables, net	417,965
Due from other funds	15,076
Total current assets	<u>787,977</u>
Noncurrent Assets:	
Deposits held in trust by GTUA	1,592,675
Total noncurrent assets	<u>1,592,675</u>
Capital assets:	
Land	287,331
Construction in progress	1,237,176
Machinery and equipment	818,162
Infrastructure	22,855,319
Less accumulated depreciation	<u>(6,419,710)</u>
Total capital assets	<u>18,778,278</u>
Total assets	<u>21,158,930</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow - pension	53,805
Deferred outflow - OPEB	310
Total deferred outflows of resources	<u>54,115</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	171,216
Accrued liabilities	30,638
Unearned revenue	28,860
Customer deposits payable	206,795
Accrued interest payable	805,418
Compensated absences	6,925
Contractual obligations - current	168,243
Bonds payable - current	<u>371,250</u>
Total current liabilities	<u>1,789,345</u>
Noncurrent Liabilities:	
Net pension liability	110,613
Total OPEB liability	10,670
Contractual obligations	6,525,986
Bonds payable	<u>2,355,000</u>
Total noncurrent liabilities	<u>9,002,269</u>
Total liabilities	<u>10,791,614</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflow - pension	9,755
Deferred inflow - OPEB	467
Total deferred inflows of resources	<u>10,222</u>
<b>NET POSITION</b>	
Net investment in capital assets	9,357,799
Restricted deposits held in trust by GTUA	1,592,675
Unrestricted	<u>(539,265)</u>
Total net position	<u>\$ 10,411,209</u>
The notes to the financial statements are an integral part of these financial statements.	

City of Van Alstyne, Texas  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended September 30, 2019

	Water & Sewer Fund
<b>Operating Revenues</b>	
Water	\$ 1,576,644
Sewer	1,235,780
Sanitation	235,991
Other services	64,366
Late charges and penalties	52,599
Miscellaneous	51,055
Total operating revenues	<u>3,216,435</u>
<b>Operating Expenses</b>	
Contractual services	427,319
Sanitation contract	235,539
Depreciation and amortization	637,021
Personnel services	403,452
Maintenance and repairs	398,762
Utilities	142,956
Administrative	67,797
Total operating expenses	<u>2,312,846</u>
Operating income	<u>903,589</u>
<b>Nonoperating Revenues (Expenses)</b>	
Contributions	2,124,812
Interest income	33,658
Fiscal agent fees	(67,599)
Interest expense	(283,980)
Total nonoperating revenue (expenses)	<u>1,806,891</u>
Income before capital contributions and transfers	<u>2,710,480</u>
Transfers in (out)	<u>141,472</u>
Change in net position	2,851,952
Net position - beginning	<u>7,559,257</u>
Net position - ending	<u><u>\$ 10,411,209</u></u>

The notes to the financial statements are an integral part of these financial statements.

City of Van Alstyne, Texas  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended September 30, 2019

	Water & Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers and users	\$ 3,174,092
Cash paid to employees	(398,173)
Cash paid to suppliers	(1,513,958)
Net cash provided by operating activities	<u>1,261,961</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers in (out) to other funds	141,472
Net cash provided by noncapital financing activities	<u>141,472</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Cash paid for acquisition and construction of capital assets	(3,159,804)
Cash from capital contributions	2,124,812
Cash from GTUA restricted deposits	105,912
Cash paid for fiscal agent fees	(67,599)
Interest paid on long-term debt	(283,979)
Principal payments on debt	(526,815)
Net cash provided by (used for) capital and related financing activities	<u>(1,807,473)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	33,658
Net cash provided by investing activities	<u>33,658</u>
Net increase (decrease) in cash and cash equivalents	(370,382)
Cash and cash equivalents, October 1, 2018	<u>725,318</u>
Cash and cash equivalents, September 30, 2019	<u><u>354,936</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	903,589
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation and amortization	637,021
(Increase) decrease in accounts receivable	(76,001)
(Increase) decrease in due to/from other funds	(14,949)
(Increase) decrease in deferred OPEB balances	717
Increase (decrease) in deferred pension balances	(56,282)
Increase (decrease) in accounts payable	(5,098)
Increase (decrease) in deferred revenue	1,849
Increase (decrease) in customer deposits	9,563
Increase (decrease) in compensated absences	477
Increase (decrease) in accrued liabilities	(1,066)
Increase (decrease) in net pension liability	50,436
Increase (decrease) in total OPEB liability	(468)
Increase (decrease) in accrued interest payable	(187,827)
Net cash provided by operating activities	<u><u>\$ 1,261,961</u></u>

The notes to the financial statements are an integral part of these financial statements.

City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

Note 1: Summary of Significant Accounting Policies

A. 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 non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange 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 certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

The City of Van Alstyne, Texas (City) operates under a city manager form of government. The general governmental functions include fire protection, ambulance services, general administrative services, police protection, municipal court, streets and infrastructure, parks, emergency communications, and library services. Enterprise Funds are used to account for the operations of its water, sewer, and sanitation services.

The accompanying financial statements present the primary government, the City, and its component units, entities that are legally separate but are included in the financial statements because the primary government is considered to be financially accountable. The component units presented are those separately administered organizations that are controlled by or dependent on the City. Control or dependency of the component unit to the City is determined on the basis of the appointment of the respective governing board, ability to influence projects, whether a financial benefit/burden relationship exists, and other factors. Further, the presentation in the financial statements is determined by whether the component unit's governing body is substantially the same as the City, who is the primary beneficiary of the services provided, and the expectation of what resources will be used to pay debts.

Based on the criterion stated above, The Van Alstyne Economic Development Corporation (EDC) and the Van Alstyne Community Development Corporation (CDC) are component units of the City. The EDC and CDC are non-profit organizations established on behalf of the City under the Development Act of 1979. The transactions of the EDC and CDC are maintained in separate funds and are discretely presented in separate columns in the financial statements. The discretely presented methodology was selected after evaluation of the circumstances and standards, as noted above. The EDC and CDC do not issue separate financial statements.

C. Basis of presentation – government-wide financial statements

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

City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

**Note 1: Summary of Significant Accounting Policies (continued)**

**C. Basis of presentation – government-wide financial statements (continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of presentation – fund financial statements**

The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following major governmental funds:

*General Fund* – The General Fund is the City's primary operating fund. It accounts for all financial resources, except those accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund 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 General Fund accounts for the transactions relating to most City operations including police, fire, ambulance, court, streets, library, and parks.

*Debt Service Fund* – The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of the governmental funds.

*Capital Projects Fund* – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The City reports the following major enterprise funds:

*Water and Sewer Fund* – The Water and Sewer Fund is used to account for the provision of water, sewer and sanitation services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collections activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest for water and sewer debt. Most costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary, to ensure integrity of the 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 and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

Note 1: Summary of Significant Accounting Policies (continued)

D. Basis of presentation – fund financial statements (continued)

Similarly, balances between funds included in the business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

E. Measurement focus and basis of accounting

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used 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 are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

General capital asset acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered 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.

City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

Note 1: Summary of Significant Accounting Policies (continued)

E. Measurement focus and basis of accounting (continued)

Reimbursement basis 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Debt Service Fund. The Capital Projects Fund is appropriated on a project-length basis. The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the council. The level of budgetary control is the department level. Appropriations in all budgeted funds lapse at the end of the fiscal year.

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

*Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition.

*Use of Estimates*

Management uses estimates and assumptions in preparing the financial statements. Accordingly, actual results could differ from those estimates. Significant estimates used in the preparation of the financial statements include the assumptions in recording receivable allowances and depreciation.

*Capital Assets*

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line methods. Estimated useful lives are as follows:

Building	20 Years
Water and Sewer System	50 Years
Infrastructure	10-20 Years
Machinery and Equipment	5 - 16 Years



City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

**Note 1: Summary of Significant Accounting Policies (continued)**

**G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance  
(continued)**

***Pension and Other Post-Employment Benefits (OPEB)***

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

Information regarding the City's Total Pension Liability and Total OPEB Liability is obtained from the TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68. Accounting and Financial Reporting for Pensions and GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

***Deferred Outflows/Inflows of Resources***

In addition to assets and liabilities, the Statement of Financial Position and/or Balance Sheet will sometimes report a separate section for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting as deferred outflows of resources. These deferred outflows result from pension and OPEB contributions after the measurement date (deferred and recognized in the following year) and differences in pension and OPEB assumption changes.

The City has several items that qualify for reporting as deferred inflows of resources. Deferred inflows of resources described as unavailable revenues only arise under modified accrual basis of accounting and are reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes, court fines, and ambulance billing. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Also, the City reports deferred inflows of resources for pension and OPEB amounts that relate to the differences in expected and actual economic experience, changes in actuarial assumptions, and projected and actual investment earnings.

City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

**Note 1: Summary of Significant Accounting Policies (continued)**

**G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance  
(continued)**

*Net Position*

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets with unspent proceeds added back. Net positions are reported as restricted when there are limitations imposed on use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulation of other governments.

*Fund Balances*

The City reports fund balances based on the requirements of GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

As of September 30, 2019, fund balances of the governmental funds are classified as follows:

*Non-spendable* – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

*Assigned* – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purpose. Under the City's policy, only the City Council may assign amounts for specific purposes.

*Unassigned* – All other spendable amounts.

City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

Note 1: Summary of Significant Accounting Policies (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance  
(continued)

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

*Transactions Between Funds*

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds.

The City allocates to the proprietary funds an indirect cost percentage of information technology services and salaries and wages and related costs of personnel who perform administrative services for those funds but are paid through the General Fund along with other indirect costs deemed necessary for their operations.

H. Revenues and expenditures/expenses

*Program Revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 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 a specific purpose, are reported as general revenues.

*Proprietary Funds Operating and Nonoperating Revenues and Expenses*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and products in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services.

The Water and Sewer Fund also recognize 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 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.

City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

Note 1: Summary of Significant Accounting Policies (continued)

H. Revenues and expenditures/expenses (continued)

*Property Taxes*

Property taxes attach as an enforceable lien on real property and are levied as of October 1st each year and become delinquent on February 1st. Delinquent real property taxes are expected to be collected, as the delinquent amounts are a lien against the related property until paid. Revenue from property taxes not collected during the current period is deferred until such collection is made. Property subject to taxation consists of real property and certain personal property situated in the City. Certain properties of religion, education and charitable organizations, as well as the Federal government and the State of Texas are exempt from taxation. Additionally, certain exemptions are granted to property owners in arriving at the net assessed valuation of property subject to City taxation. The effective property ad valorem tax rate for property tax year 2018 was 0.595932 per \$100 of assessed value for General Fund operations and Debt Service.

*Sales Taxes*

The City levies a two percent (2%) sales tax on taxable sales within the City. Seventy-five percent (75%) of the sales tax is allocated to the General Fund and twenty-five percent (25%) is allocated to the EDC and CDC. Further, within the General Fund allocation twenty-five percent (25%) is allocated to fund street projects.

*Compensated Absences*

City employees accrue 40 hours of vacation leave after six full months of service. After that, regular full-time employees earn 80 to 160 hours of paid vacation leave based on years of service. The City allows its employees to carryover earned and unused vacation hours at an amount not to exceed one-half of the hours they are eligible to receive that year. After six full months of employment, city employees accumulate sick leave at the rate of 60 hours per year with a maximum of 720 hours. Accumulated sick leave will not be compensated for in any way at the time of termination. The accrued compensated absences for governmental and business-type activities at September 30, 2019 are \$55,260 and \$6,925, respectively.

*Excess of Expenditures over Appropriations*

For the year ended September 30, 2019, the General Fund exceeded appropriations at the legal level of control by \$34,724, as shown on Page 47. The overall deficiency of revenues under expenditures this year is primarily attributed to capital outlay for parks. Management considers the excess insignificant and the City has implemented procedures to ensure future compliance.

City of Van Alstyne, Texas  
Notes to the Financial Statements  
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**Note 2: Cash and Cash Equivalents**

As of September 30, 2019, the City maintained all banking accounts at Independent Bank.

At September 30, 2019 the City's total carrying value of cash and cash equivalents is \$3,429,202, which consists of \$850 in petty cash and \$3,259,016 held by depository banks. The cash and cash equivalents held by banks is insured in the amount of \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and the remaining balance is collateralized by securities pledged in the City's name by the depository bank.

At September 30, 2019, the EDC has cash and cash equivalents in the amount of \$229,804 held by depository banks and all amounts are insured by the FDIC.

At September 30, 2019, the CDC has cash and cash equivalents in the amount of \$307,029 held by depository banks of which \$250,000 is insured by the FDIC and the remaining balance is collateralized by securities pledged in the CDC's name by the depository bank.

**Note 3: Capital Assets**

The following is a summary of changes in capital assets for the year ended September 30, 2019:

	Beginning Balance	Additions	Retirements & Reclases	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 230,236	\$ 625,125	\$ -	\$ 855,361
Construction in progress	1,001,823	515,720	(968,042)	549,501
Depreciable capital assets:				
Building and improvements	644,370	6,210	-	650,580
Machinery and equipment	2,275,341	161,162	-	2,436,503
Parks	1,921,824	-	-	1,921,824
Streets and infrastructure	4,486,796	2,984,929	968,042	8,439,767
Totals	10,560,390	4,293,146	-	14,853,536
Less accumulated depreciation	(4,686,166)	(673,786)	-	(5,359,952)
Governmental activities capital assets, net	<u>\$ 5,874,224</u>	<u>\$ 3,619,360</u>	<u>\$ -</u>	<u>\$ 9,493,584</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 283,956	\$ 3,375	\$ -	\$ 287,331
Construction in progress	762,322	824,548	(349,694)	1,237,176
Depreciable capital assets:				
Waterworks system	14,350,278	1,872,948	-	16,223,226
Sewer system	5,843,658	438,742	349,694	6,632,094
Machinery and equipment	797,971	20,191	-	818,162
Totals	22,038,185	3,159,804	-	25,197,989
Less accumulated depreciation	(5,782,690)	(637,021)	-	(6,419,711)
Business-type activities capital assets, net	<u>\$ 16,255,495</u>	<u>\$ 2,522,783</u>	<u>\$ -</u>	<u>\$ 18,778,278</u>

City of Van Alstyne, Texas  
Notes to the Financial Statements  
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Note 3: Capital Assets (continued)

	Beginning Balance	Additions	Retirements & Reclases	Ending Balance
<b>Economic Development Corporation</b>				
Capital assets not being depreciated:				
Land	\$ 261,316	\$ 305,383	\$ (223,893)	\$ 342,806
Depreciable capital assets:				
Building and improvements	74,260	-	-	74,260
Machinery and equipment	10,617	-	-	10,617
Totals	346,193	305,383	(223,893)	427,683
Less accumulated depreciation	(38,622)	(2,356)	-	(40,978)
EDC capital assets, net	<u>\$ 307,571</u>	<u>\$ 303,027</u>	<u>\$ (223,893)</u>	<u>\$ 386,705</u>

Depreciation expense for the year ended September 30, 2019 was charged to functions of the primary government and the business-type activities as follows:

<b>Governmental Activities:</b>	
General Government	\$ 5,378
Library	12,097
Ambulance	42,581
Fire Department	99,338
Police Department	45,466
Parks	102,749
Streets	366,177
	<u>\$ 673,786</u>
<b>Business-Type Activities:</b>	
Water and sewer	\$ 637,021
	<u>\$ 637,021</u>
<b>EDC Activities:</b>	
Economic Development	\$ 2,356
	<u>\$ 2,356</u>

City of Van Alstyne, Texas  
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**Note 4: Receivables**

Receivables as of the year ended September 30, 2019 for the primary government, component units, and the proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Water and Sewer Fund	Total	EDC	CDC
Ambulance	\$ 1,201,861	\$ -	\$ -	\$ 1,201,861	\$ -	\$ -
Municipal court	757,629	-	-	757,629	-	-
Sales taxes	208,444	-	-	208,444	34,741	34,991
Property taxes	56,573	21,703	-	78,276	-	-
Franchise & other	65,667	-	-	65,667	-	-
Accounts	-	-	422,879	422,879	-	-
Notes receivable	-	-	-	-	123,331	-
	<u>2,290,174</u>	<u>21,703</u>	<u>422,879</u>	<u>2,734,756</u>	<u>158,072</u>	<u>34,991</u>
Less: allowance for doubtful accounts	(1,448,546)	(796)	(4,914)	(1,454,256)	-	-
Net	<u>\$ 841,628</u>	<u>\$ 20,907</u>	<u>\$ 417,965</u>	<u>\$ 1,280,500</u>	<u>\$ 158,072</u>	<u>\$ 34,991</u>

Governmental funds report unavailable revenue in connection with receivables for revenue that are not considered available to liquidate liabilities of the current period. At September 30, 2019, the components of the unavailable revenue in the General and Debt Service Funds are as follows:

Ambulance services	\$ 398,431
Delinquent property taxes	72,326
Municipal court fines	57,884
	<u>\$ 528,641</u>

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**Note 5: Inter-fund Transfers and Due To/From**

The General Fund transferred funds to the Capital Projects fund to finance capital projects. The Debt Service fund transferred funds to the Water Fund to cover eligible Water Fund debt. The General Fund transferred funds to the Water Fund for reimbursement of salaries. The composition of inter-fund transfers for the year ended September 30, 2019 is as follows:

	<u>Transfers To Other Funds</u>	<u>Transfers From Other Funds</u>	<u>Net Transfers</u>
<b>Governmental Funds:</b>			
General	\$ 133,113	\$ 45,000	
Debt Service	186,472	-	
Capital Projects	-	133,113	
	<u>\$ 319,585</u>	<u>\$ 178,113</u>	<u>\$ (141,472)</u>
 <b>Proprietary Funds:</b>			
Water	<u>\$ 45,000</u>	<u>\$ 186,472</u>	
	<u>\$ 45,000</u>	<u>\$ 186,472</u>	<u>\$ 141,472</u>

The General Fund owes the Water Fund for a tax payment. The General Fund owes the Debt Service Fund for property taxes. The composition of due to's/from's for the year ended September 30, 2019 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Internal Balances</u>
<b>Governmental Funds:</b>			
General	\$ -	\$ 43,069	
Capital Projects	-	-	
Debt Service	27,993	-	
	<u>\$ 27,993</u>	<u>\$ 43,069</u>	<u>\$ (15,076)</u>
 <b>Proprietary Funds:</b>			
Water	<u>\$ 15,076</u>	<u>\$ -</u>	
	<u>\$ 15,076</u>	<u>\$ -</u>	<u>\$ 15,076</u>



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**Note 6: Changes in Long-Term Debt**

The following schedule summarizes the changes in long term debt for the year ended September 30, 2019:

	Balance 9/30/2018	Additions	Retirements	Balance 9/30/2019	Due within one year
<b>Governmental Activities</b>					
<u>Contractual obligations, bonds, and notes payable:</u>					
2006 Series - General Obligation Tax & Revenue Refunding Bonds	\$ 425,000	\$ -	\$ (210,000)	\$ 215,000	\$ 215,000
2011A Series - General Obligation Refunding Bonds	865,000	-	(35,000)	830,000	35,000
2014 Contractual Obligation #6602	58,418	-	(58,418)	-	-
2014 Contractual Obligation #6603	252,031	-	(38,697)	213,334	39,930
2018 Series - Tax Note	195,000	-	-	195,000	8,000
2018 Series - Contractual Obligation #8200	275,000	-	(56,035)	218,965	51,744
2019 Series Combination Tax and Revenue Certificates of Obligation	-	1,445,000	-	1,445,000	-
2019 Series Combination Tax and Revenue Certificates of Obligation - Bond Premium	-	17,742	-	17,742	-
Total:	<u>2,070,449</u>	<u>1,462,742</u>	<u>(398,150)</u>	<u>3,135,041</u>	<u>349,674</u>
Compensated absences:	<u>\$ 49,659</u>	<u>\$ 5,601</u>	<u>\$ -</u>	<u>\$ 55,260</u>	<u>\$ 55,260</u>
<b>Business-Type Activities</b>					
<u>Contractual obligations with GTUA:</u>					
GTUA CGMA Phase 1 Contractual Obligation	\$ 405,000	\$ -	\$ (31,250)	\$ 373,750	\$ 32,500
GTUA CGMA Phase 2 Contractual Obligation	2,168,750	-	-	2,168,750	-
GTUA CGMA Phase 3 Contractual Obligation	888,750	-	(12,500)	876,250	13,750
GTUA 2014A Series - Contractual Obligation	305,000	-	(50,000)	255,000	50,000
GTUA 2014B Series - Contractual Obligation	1,460,000	-	(70,000)	1,390,000	70,000
GTUA 2015 Series Contractual Obligation	2,620,000	-	(95,000)	2,525,000	100,000
<u>Contractual obligations and bonds payable:</u>					
2011B Series - General Obligation Refunding Bonds	1,040,000	-	(105,000)	935,000	105,000
2014 Contractual Obligation #6577	415,148	-	(77,905)	337,243	80,387
2014 Contractual Obligation #6578	56,178	-	(27,625)	28,553	28,450
2017 Contractual Obligation #7987	123,468	-	(29,535)	93,933	30,406
2017 Series - Certificates of Obligation	465,000	-	(28,000)	437,000	29,000
Total:	<u>9,947,294</u>	<u>-</u>	<u>(526,815)</u>	<u>9,420,479</u>	<u>539,493</u>
Compensated absences:	<u>\$ 6,448</u>	<u>\$ 477</u>	<u>\$ -</u>	<u>\$ 6,925</u>	<u>\$ 6,925</u>
<b>Economic Development Corporation</b>					
<u>Notes payable:</u>					
2018 Sales Tax Note	\$ 113,500	\$ -	\$ (8,867)	\$ 104,633	\$ 9,343
Total:	<u>\$ 113,500</u>	<u>\$ -</u>	<u>\$ (8,867)</u>	<u>\$ 104,633</u>	<u>\$ 9,343</u>

City of Van Alstyne, Texas  
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**Note 7: Long Term Debt – Governmental Activities**

*Contractual Obligations, Bonds, and Notes Payable*

On November 16, 2006, the City issued 2006 series General Obligation Tax and Revenue Refunding Bonds in the amount of \$2,400,000 payable to the Bank of America. The proceeds were utilized to decrease 1995 series contractual obligations in the amount of \$225,000 and 2000 series contractual obligations in the amount of \$2,035,000 through an advanced refunding. The 2006 series bonds have a fixed interest rate of 4.52% and are secured by the tax revenues of the City. The 2006 series bonds require principal and interest payments beginning on October 1, 2006 through the maturity date of June 1, 2020. The outstanding principal balance of the 2006 series bonds at September 30, 2019 is \$215,000

On May 1, 2011, the City issued General Obligation Refunding Bonds series 2011A in the amount of \$1,060,000 payable to the Bank of New York Mellon, N.A. The proceeds were utilized to refund a portion of the City's outstanding debt. The 2011A bonds have an interest rate that varies from 2.0% to 4.0%. The bonds are secured and payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, as provided in the ordinances. The 2011A series bonds require principal and interest payments beginning on May 1, 2011 through the maturity date of September 1, 2024. The outstanding principal balance of the 2011A series bonds at September 30, 2019 is \$830,000

On April 8, 2014, the City entered into four long-term contract obligations with Government Capital Corporation ("GCC") for the purpose of financing public works equipment, vehicles and heavy equipment, a fire engine, an ambulance and a command vehicle. The cost of the above noted equipment is to be funded with contractual obligations in four contracts, two contracts are for primary governmental activities and two contracts are for the proprietary fund.

Per the agreement, contract #6602 with GCC requires payments to be remitted to First Financial Bank, N.A. in the original principal amount of \$275,000. The proceeds of the note were utilized to purchase an ambulance and command vehicle, which serve as collateral. The note is payable in annual installments of principal and interest in the amount of \$59,902 beginning April 15, 2015 through the maturity date of April 15, 2019. The note has an interest rate of 2.926%. The contract with GCC was paid in full during the fiscal year. The outstanding principal balance of the note payable at September 30, 2019 is \$0

Per the agreement, contract #6603 with GCC requires payments to be remitted to First Financial Bank, N.A. in the original principal amount of \$400,000. The proceeds of the note were utilized to purchase a fire engine truck, which serves as collateral. The note is payable in annual installments of principal and interest in the amount of \$46,707 beginning November 16, 2015 through the maturity date of November 16, 2023. The note has an interest rate of 3.185%. The outstanding principal balance of the note payable at September 30, 2019 is \$213,334

City of Van Alstyne, Texas  
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**Note 7: Long-Term Debt - Governmental Activities (continued)**

On March 30, 2018, the City issued 2018 series Tax Note in the original principal amount of \$195,000 payable to Independent Bank. The proceeds were utilized to finance the costs incurred with acquiring land for a future municipal complex. The Note has a fixed interest rate of 3.80% and is secured by the tax revenues of the City. The Note requires principal and interest payments beginning on February 15, 2019 through the maturity date of February 15, 2025. The outstanding principal balance of the 2018 series Tax Note at September 30, 2019 is \$195,000

On May 30, 2018, the City entered into a long-term contract obligation with GCC. Per the agreement, contract #8200 with GCC requires payments to be remitted to First Financial Bank, N.A. in the original principal amount of \$275,000. The proceeds of the note were utilized to purchase an ambulance, which serves as collateral. The note is payable in annual installments of principal and interest in the amount of \$60,205 beginning October 15, 2018 through the maturity date of October 15, 2022. The note has an interest rate of 3.90%. The outstanding principal balance of the note payable at September 30, 2019 is \$218,965

On August 1, 2019, the City issued a 2019 series Combination Tax and Revenue Certificate of Obligation in the original principal amount on \$1,445,000. The Certificate of Obligation has a variance interest rate ranging from 3% to 4%. The note is payable in annual installments ranging from \$30,000 to \$100,000 beginning on February 15, 2021 through the maturity date of February 15, 2035. In conjunction with the issuance of the 2019 series Combination Tax Revenue Certificate of Obligation, a bond premium was issued in the amount of \$17,742. The bond premium will be amortized over the life of the Certificate of Obligation. The outstanding principal balance of the note payable at September 30, 2019 is

Principal	<u>\$1,445,000</u>
Premium	<u>\$17,742</u>

Total contractual obligations, bonds, and notes payable at September 30, 2019: \$3,135,041

The principal and interest requirements related to the governmental activities contractual obligations, bonds, and notes payable at September 30, 2019 are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 349,674	\$ 391,953	\$ 741,627
2021	344,965	358,550	703,515
2022	359,374	340,759	700,133
2023	373,906	353,091	726,997
2024	324,380	300,250	624,630
2025-2029	380,000	192,525	572,525
2030-2034	450,000	124,036	574,036
2035-2039	535,000	44,631	579,631
	<u>\$ 3,117,299</u>	<u>\$ 2,105,795</u>	<u>\$ 5,223,094</u>

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Note 8: Long-Term Debt – Business-Type Activities

*Contractual Obligations and Bonds with Greater Texoma Utility Authority*

On December 14, 2004, the City, along with the City of Anna, Howe, and Melissa, formed a group called the Collin Grayson Municipal Alliance (“CGMA”). CGMA entered into a long-term contract with the Greater Texoma Utility Authority (“GTUA”) for the purpose of providing funds for the construction of a transmission water pipeline that will provide water to the CGMA cities. The cost of the pipeline is being funded with contractual obligations in three phases.

The original principal obligation for Phase I of the pipeline project was \$2,800,000, of which twenty-five percent (25%) or \$700,000 pertained to the City. The Phase I contract has interest rates varying between 2.29% and 5.74%. The City’s obligation to GTUA under the Phase I contract is to expire with the retirement of the obligation in the fiscal year ending September 30, 2028. As of September 30, 2019, the City’s obligation under this contract is \$373,750

The original principal obligation for Phase II of the pipeline project was \$8,675,000, of which twenty-five percent (25%) or \$2,168,750 pertained to the City. The Phase II contract has interest rates varying between 5.68% and 5.83%. The payments for this contract were deferred until fiscal year 2009 when interest only payments commenced. Principal payments will begin in fiscal year 2026. As a result of the deferred principal payments, the obligation is accruing deferred interest payable. At September 30, 2019, the obligation had deferred interest payable in the amount of \$775,082. The City’s obligation under the contract will expire with the retirement of the obligation in the fiscal year ending September 30, 2040. At September 30, 2019, the City’s obligation under this contract is \$2,168,750

The original principal obligation for Phase III of the pipeline project was \$5,000,000, of which twenty-five percent (25%) or \$1,250,000 pertained to the City. The Phase III contract has interest rates varying between 2.67% and 5.62%. The City’s obligation to GTUA under Phase III contract expires with the retirement of the GTUA obligation in the fiscal year ending September 30, 2036. At September 30, 2019, the City’s obligation under this contract is \$876,250

Each CGMA city is required to make payments to GTUA in an amount equivalent to twenty-five percent (25%) of the total obligation to cover their portion of the cost of the obligation until the pipeline project is complete and the water is pumping for three months. GTUA has the capacity to pump water to the CGMA cities. From the time water has been delivered to each CGMA city through the pipeline for three months and forward and while water continues to flow to each CGMA city, upon a monthly basis, the City shall be charged it’s percentage or fraction share of debt service on the obligation based upon: the amount of water to be paid by the City under its water contract (i.e. the greater of its minimum take-or-pay amount or the actual amount of water taken) divided by the total amount of water to be paid by all CGMA cities.

The sum of the four (4) fractional amounts shall always equal one-hundred percent (100%) of the debt service on the contractual obligation with GTUA. The billing rates for each City will be calculated to provide funds necessary to cover the contractual obligation, interest, repairs, maintenance, and production costs. The City is taking water from the pipeline and incurred a take or pay charge in the amount of \$171,420 for the year ended September 30, 2019.

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**Note 8: Long-Term Debt – Business-Type Activities (continued)**

At the end of the contractual obligation with GTUA, the City will own an undivided interest in the transmission water pipeline based on the percentage of water it utilized and paid for during the contract term. Presently it appears that the undivided interest will be approximately twenty-five percent (25%) of the waterline. The contract will expire and the transfer of ownership will occur during the fiscal year ended September 30, 2040, as long as no new debt is issued.

Under the terms of long-term service contracts between the City and GTUA, the City recognizes that GTUA has an undivided ownership interest in the pipeline equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance and sale of GTUA bonds. The City has an obligation to make payments as specified in the contract with GTUA to pay the principal and interest on the bonds, maintain cash reserves for the security and payment of the bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the bonds, and pay any extraordinary expenses incurred by GTUA in connection with the bonds.

Under terms of the contracts, the City's obligation to make payments to GTUA and GTUA's ownership interest in the facilities will terminate when all of GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding. The City is obligated for the repayment of principal and interest on the debt through a pledging of water and sewer revenues. The structure of the transaction has the qualities of a capital lease therefore the amounts are included in long-term liabilities and capital assets with the associated accumulated depreciation.

On August 18, 2014, the City issued Contract Revenue Bonds series 2014A in the amount of \$485,000 payable to the Greater Texoma Utility Authority. The proceeds were for the construction, acquisition, and improvement of water system facilities for the City. The 2014A bonds have an interest rate that varies from 2.0% to 4.0%. The 2014A series bonds require interest payments beginning September 30, 2015 through the maturity date of September 30, 2024. The 2014A series bond has principal payments that begin September 30, 2015 through the maturity date. The outstanding balance of the 2014A series bonds at September 30, 2019 is \$255,000

On August 18, 2014, the City issued Contract Revenue Bonds series 2014B in the amount of \$1,730,000 payable to the Greater Texoma Utility Authority. The proceeds were for the construction, acquisition, and improvement of water system facilities for the City. The 2014B bonds have an interest rate that varies from 2.0% to 4.0%. The 2014B series bonds require interest payments beginning September 30, 2015 through the maturity date of September 30, 2034. The 2014B series bond has principal payments that begin September 30, 2015 through the maturity date. The outstanding balance of the 2014B series bonds at September 30, 2019 is \$1,390,000

On April 25, 2015, the City issued Contract Revenue Bonds, Series 2015 in the amount of \$2,875,000 payable to the Greater Texoma Utility Authority. It is the intent of the City to authorize the Authority to proceed with construction, acquisition, and improvement of facilities. The Series 2015 bonds have an interest rate that varies from .04% to 2.52%. The Series 2015 bonds require

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Note 8: Long-Term Debt – Business-Type Activities (continued)

interest payments beginning September 30, 2015 through the maturity date of September 30, 2034. The Series 2015 bond has principal payments that begin September 30, 2015 through the maturity date. The outstanding balance of the Series 2015 bonds at September 30, 2019 is

\$2,525,000

*Contractual Obligations and Bonds Payable*

On May 1, 2011, the City issued General Obligation Refunding Bonds series 2011B in the amount of \$1,605,000 payable to the Bank of New York Mellon, N.A. The proceeds were utilized to restructure the City's debt service requirements. The 2011B bonds have an interest rate that varies from 2.0% to 4.0%. The bonds are secured and payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, as provided in the ordinances. The 2011B series bonds require interest payments beginning on September 1, 2011 through the maturity date of September 1, 2026. The 2011B series bond has principal payments that begin on September 1, 2014 through the maturity date. The outstanding principal balance of the 2011B series bonds at September 30, 2019 is

\$935,000

Per the agreement noted above in Note 7, contract #6577 with GCC requires payments to be remitted to Prosperity Bank in the original principal amount of \$786,716. The proceeds were used to purchase various public works equipment. The contract has an interest rate of 3.185%. The contract requires ten annual payments of principal and interest in the amount of \$91,140 beginning on August 15, 2015 through the maturity date August 16, 2023. As of September 30, 2019, the City's obligation under this contract is

\$337,243

Per the agreement noted above in Note 7, contract #6578 with GCC requires payments to be remitted to North Dallas Bank and Trust Company in the original amount of \$186,367. The proceeds were used to purchase vehicles and heavy equipment. The contract has an interest rate of 3.116%. The contract requires seven annual payments of principal and interest in the amount of \$29,420 beginning on August 15, 2015 through the maturity date August 15, 2020. As of September 30, 2019, the City's obligation under this contract is

\$28,553

On November 10, 2017, the City entered into a long-term contract obligation with GCC for the purpose of financing public works equipment. Per the agreement, contract #7987 with GCC requires payments to be remitted to First Financial Bank, N.A. in the original principal amount of \$154,668. The note is payable in annual installments of principal and interest in the amount of \$33,177 beginning April 15, 2018 through the maturity date of April 15, 2022. The note has an interest rate of 2.95%. The outstanding principal balance of the note payable at September 30, 2019 is

\$93,933

On December 1, 2017, the City issued Certificates of Obligation, Series 2017 with ZB, N.A. for the purpose of financing the construction of a new public works building, moving a water line and street repairs. Per the agreement, payments are required to be remitted in the original principal amount of \$492,000. The note is payable in annual installments of principal and interest beginning December 1, 2017 through the maturity date of September 30, 2033.

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**Note 8: Long-Term Debt – Business-Type Activities (continued)**

The note has an interest rate of 2.69%. The outstanding principal balance of the note payable at September 30, 2019 is \$437,000

Total contractual obligations and bonds payable at September 30, 2019 \$9,420,479

The principal and interest requirements related to the business-type activities contractual obligations and bonds at September 30, 2019 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 539,493	\$ 453,433	\$ 992,926
2021	532,001	439,229	971,230
2022	509,170	424,562	933,732
2023	548,315	409,002	957,317
2024	473,500	392,415	865,915
2025-2029	2,675,500	1,288,525	3,964,025
2030-2034	2,852,500	701,629	3,554,129
2035-2039	1,082,500	237,152	1,319,652
2040	207,500	12,097	219,597
	<u>\$ 9,420,479</u>	<u>\$ 4,358,044</u>	<u>\$ 13,778,523</u>

**Note 9: Long-Term Debt – Economic Development Corporation**

On April 20, 2018, the EDC issued a 2018 Sales Tax Note with GCC for the purpose of acquiring land. Per the agreement, contract #8135 with GCC requires payments to be remitted to GCC in the original principal amount of \$113,500. The note is payable in annual installments of principal and interest in the amount of \$14,968 beginning April 20, 2019 through the maturity date of April 20, 2028. The note has an interest rate of 5.376%. The outstanding principal balance of the note payable at September 30, 2019 is \$104,633

The principal and interest requirements related to the EDC note payable at September 30, 2019 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 9,343	\$ 5,625	\$ 14,968
2021	9,846	5,123	14,969
2022	10,375	4,593	14,968
2023	10,933	4,036	14,969
2024	11,520	3,448	14,968
2025-2028	52,616	7,256	59,872
	<u>\$ 104,633</u>	<u>\$ 30,081</u>	<u>\$ 134,714</u>

City of Van Alstyne, Texas  
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September 30, 2019

**Note 10: Other Information**

***Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disaster. The City purchases commercial insurance through Texas Municipal League. The City retains no risk of loss for these coverages. The City accounts for risk management issues in accordance with GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues."

***Restricted Assets***

The governmental funds have restricted cash for debt service and capital projects in the amount of \$400,945 and \$1,447,209 respectively, at September 30, 2019. The Water and Sewer Fund has restricted cash held in trust by GTUA in amount of \$1,592,675 at September 30, 2019 that will be used for water and sewer system capital improvements and repayment of contractual obligation.

**Note 11: Pension Plan**

**Plan Description**

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code.

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com). All eligible employees of the City are required to participate in TMRS.

**Benefits Provided**

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.



City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

**Note 11: Pension Plan (continued)**

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

Employee deposit rate	6%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	Minimum age 60 with 5 years of service Any age with 20 years of service
Updated service credits	100% repeating transfers
Annuity increases (to retirees)	1.86% per year

**Employees Covered by Benefit Terms**

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	55
Active employees	40
	<hr/>
	112

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 160%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.64% and 9.66% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$196,306 and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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 Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

**Note 11: Pension Plan (continued)**

***Actuarial Assumptions:***

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.5-10.5% per year, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2018 valuation was developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2018 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

Note 11: Pension Plan (continued)

Asset Class	Target Allocation	Long-Term expected Real Rate of Return
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total:	100.0%	

**Discount Rate:**

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

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, 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%) or 1-percentage-point higher (7.75%) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$1,728,543	\$737,349	(\$29,442)

**Pension Plan Fiduciary Net Position:**

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

City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

Note 11: Pension Plan (continued)

**Changes in the Net Pension Liability:**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2017	\$ 4,499,035	\$ 4,125,947	\$ 373,088
Changes for the year:			
Service cost	220,227	-	220,227
Interest	307,269	-	307,269
Change of benefit terms	-	-	-
Difference between expected and actual experience	(19,379)	-	(19,379)
Changes of assumptions	-	-	-
Contributions - employer	-	172,549	(172,549)
Contributions - employee	-	97,302	(97,302)
Net investment income	-	(123,481)	123,481
Benefit payments, including refunds of employee contributions	(114,022)	(114,022)	-
Administrative expense	-	(2,389)	2,389
Other changes	-	(125)	125
Net changes	\$ 394,095	\$ 29,834	\$ 364,261
Balance at 12/31/2018	\$ 4,893,130	\$ 4,155,781	\$ 737,349

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

For the year ended September 30, 2019, the City recognized pension expense of \$200,265. The calculation and amount are provided in the TMRS Reporting Package. At September 30, 2019, the City 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	\$ -	\$ (64,838)
Changes in actuarial assumptions	-	(187)
Differences between projected and actual investment earnings	216,042	-
Contributions subsequent to the measurement date	142,628	-
Total	\$ 358,670	\$ (65,025)

City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

**Note 11: Pension Plan (continued)**

\$142,628 reported as deferred outflow of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Net Deferred (Inflows) Outflows of Resources
2020	\$ 35,473
2021	4,500
2022	30,646
2023	80,398
2024	-
Thereafter	-
Total	<u>\$ 151,017</u>

**Note 12: Other Post-Employment Benefits (OPEB) Plan**

**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.

Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer other postemployment benefit plan (OPEB) (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

**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 post-employment benefit ("OPEB") and is a fixed amount of \$7,500.

City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

Note 12: Other Post-Employment Benefits (OPEB) Plan (continued)

**Employees Covered by Benefit Terms**

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	11
Active employees	40
Total:	61

**Contributions**

The member 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.

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city.

There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The City's contributions to the SDBF for the year ended September 30, 2019 were \$2,723, and were equal to the required contributions. The contribution rates to the SDBF for the City are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.12%	0.04%
2018	0.13%	0.04%

City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

Note 12: Other Post-Employment Benefits (OPEB) Plan (continued)

**Total OPEB Liability**

The City's Total OPEB Liability (TOL) was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

***Actuarial Assumptions:***

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Actuarial cost method:	Entry Age Normal
Inflation:	2.5% per year
Salary increases:	3.5% to 10.5%, including inflation
Discount rate:	3.71%
Retirees share of benefit-related costs:	\$0
Health care of cost trend rates:	Not disclosed as the plan only provides SDB.
Administrative expenses:	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality:	
Service Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Disabled Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2018, valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation.

City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

**Note 12: Other Post-Employment Benefits (OPEB) Plan (continued)**

The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal actuarial cost method. Salary increases were based on a service-related table.

**Discount Rate:**

A single discount rate of 3.71% was used to measure the Total OPEB Liability and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

**Changes in Total OPEB Liability:**

	<u>Total OPEB Liability</u>
Balance at 12/31/2017	\$ 74,861
Changes for the year:	
Service cost	3,568
Interest on Total OPEB Liability	2,526
Change of benefit terms	-
Difference between expected and actual experience	(3,609)
Changes of assumptions or other inputs	(5,570)
Benefit payments	(649)
Net changes	<u>(3,734)</u>
Balance at 12/31/2018	<u>\$ 71,127</u>

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, 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 (2.71%) or 1 percentage-point higher (4.71%) than the current rate:

<b>Sensitivity of the Total OPEB Liability to Changes in the Discount Rate</b>		
1% Decrease	Current Discount Rate	1% Increase
2.71%	3.71%	4.71%
\$86,319	\$71,127	\$59,613



City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

Note 12: Other-Post Employment Benefits (OPEB) Plan (continued)

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$5,695. At September 30, 2019, the City 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	\$ -	\$ (3,003)
Changes of assumptions	-	(110)
Contributions made subsequent to measurement date	2,067	-
	<u>\$ 2,067</u>	<u>\$ (3,113)</u>

The contributions made after the measurement date of the total OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period. The other amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	Deferred outflows (inflows) of resources
2020	\$ (399)
2021	(399)
2022	(399)
2023	(442)
2024	(1,474)
Thereafter	-
Total	<u>\$ (3,113)</u>

City of Van Alstyne, Texas  
Notes to the Financial Statements  
September 30, 2019

Note 13: Related Party Transactions

The City identified the following related party transaction for the year ended September 30, 2019. A CDC board member is employed with a company that is the lessor for two buildings, which the City leases. The City paid \$19,200 to the lessor in lease expense during fiscal year 2019.

Note 14: Subsequent Events

Management has evaluated all events or transactions that occurred after September 30, 2019 up through the date of the auditor's report on page one. This is the date the financial statements were available for issuance. Management has identified no subsequent events, except as follows:

Subsequent to year end, coronavirus known as SARS-CoV-2 (COVID-19) was first detected in China, causing outbreaks of COVID-19 that has now spread globally. On March 11, 2020, the World Health Organization announced that the COVID-19 outbreak can be characterized as a pandemic.

The Federal Government, along with State and local governments have taken preventative measures to slow the spread of the virus. At this time, it is unknown how this pandemic will affect revenues or expenses at the City.

## **REQUIRED SUPPLEMENTARY INFORMATION**

City of Van Alstyne, Texas  
General Fund Budgetary Comparison  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,401,529	1,401,529	\$ 1,350,269	\$ (51,260)
General sales and use	1,067,250	1,067,250	1,158,074	90,824
Franchise	184,000	184,000	206,986	22,986
Ambulance services	554,404	554,404	556,854	2,450
Contributions	2,000	2,000	65,546	63,546
Municipal court	710,289	710,289	482,849	(227,440)
License and permits	142,300	142,300	214,456	72,156
Intergovernmental	231,477	231,477	113,789	(117,688)
Fines and forfeitures	81,908	81,908	84,138	2,230
Developer construction fees	115,000	115,000	79,105	(35,895)
Park donations	5,900	5,900	9,385	3,485
Grants	-	-	15,820	15,820
Investment earnings	4,835	4,835	5,519	684
Library	7,480	7,480	7,287	(193)
Total revenues	<u>4,508,372</u>	<u>4,508,372</u>	<u>4,350,077</u>	<u>(158,295)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,311,715	1,276,027	1,193,939	82,088
Police	871,860	815,825	797,986	17,839
Fire protection and ambulance	805,177	786,189	732,174	54,015
Municipal court	376,830	376,830	261,042	115,788
Emergency communications	233,974	233,975	224,286	9,689
Library	187,997	192,409	189,569	2,840
Parks	177,999	193,516	173,685	19,831
Streets and infrastructure	314,875	137,000	93,283	43,717
Debt Service:				
Principal	164,161	164,810	153,150	11,660
Interest	14,420	13,861	13,869	(8)
Capital Outlay:				
Streets and infrastructure	-	177,875	165,775	12,100
Parks	6,599	22,360	409,648	(387,288)
Public safety	-	-	107,322	(107,322)
Municipal court	-	-	18,301	(18,301)
Library	39,908	114,838	6,210	108,628
Total expenditures	<u>4,505,515</u>	<u>4,505,515</u>	<u>4,540,239</u>	<u>(34,724)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,857</u>	<u>2,857</u>	<u>(190,162)</u>	<u>(193,019)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of general capital assets	-	-	77,775	77,775
Transfers in (out)	6,000	6,000	(88,113)	(94,113)
Total Other financing Sources (Uses)	<u>6,000</u>	<u>6,000</u>	<u>(10,338)</u>	<u>(16,338)</u>
Net change in fund balances	<u>\$ 8,857</u>	<u>\$ 8,857</u>	<u>\$ (200,500)</u>	<u>\$ (209,357)</u>

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Van Alstyne, Texas  
Schedule of Changes in Net Pension Liability and Related Ratios <sup>1</sup>  
Texas Municipal Retirement System  
Last Ten Measured Years

	2018	2017	2016	2015	2014
Total pension liability					
Service Cost	\$ 220,227	\$ 226,715	\$ 197,874	\$ 188,085	\$ 174,573
Interest (on the Total Pension Liability)	307,269	288,734	262,778	253,994	232,187
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(19,379)	(129,120)	23,275	(32,674)	18,835
Change of assumptions	-	-	-	(10,791)	-
Benefit payments, including refunds of employee contributions	(114,022)	(102,951)	(124,694)	(153,259)	(88,387)
Net Change in Total Pension Liability	394,095	283,378	359,233	245,355	337,208
Total Pension Liability - Beginning	4,499,035	4,215,657	3,856,424	3,611,069	3,273,861
Total Pension Liability - Ending (a)	<u>\$ 4,893,130</u>	<u>\$ 4,499,035</u>	<u>\$ 4,215,657</u>	<u>\$ 3,856,424</u>	<u>\$ 3,611,069</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 172,549	\$ 173,050	\$ 150,448	\$ 139,552	\$ 120,262
Contributions - Employee	97,302	99,074	85,970	80,839	82,639
Net Investment Income	(123,481)	481,310	212,855	4,556	160,990
Benefit payments, including refunds of employee contribution	(114,022)	(102,951)	(124,694)	(153,259)	(88,387)
Administrative Expense	(2,389)	(2,498)	(2,409)	(2,775)	(1,680)
Other	(125)	(127)	(130)	(137)	(138)
Net Change in Plan Fiduciary Net Position	29,834	647,858	322,040	68,776	273,686
Plan Fiduciary Net Position - Beginning	4,125,947	3,478,089	3,156,049	3,087,273	2,813,587
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,155,781</u>	<u>\$ 4,125,947</u>	<u>\$ 3,478,089</u>	<u>\$ 3,156,049</u>	<u>\$ 3,087,273</u>
Net Pension Liability - Ending (a) - (b)	737,349	373,088	737,568	700,375	523,796
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.93%	91.71%	82.50%	81.84%	85.49%
Covered Payroll	\$ 1,621,705	\$ 1,651,240	\$ 1,432,831	\$ 1,347,317	\$ 1,377,309
Net Pension Liability as a Percentage of Covered Payroll	45.47%	22.59%	51.48%	51.98%	38.03%

**NOTES TO SCHEDULE OF NET PENSION LIABILITY**

<sup>1</sup> The schedule above reflects the changes in the net pension liability for the current year. GASB 68 requires ten fiscal years of data to be provided in this schedule. However, until a full ten-year trend is compiled, only available information is shown.

City of Van Alstyne, Texas  
Schedule of Contributions to Pension Plan <sup>1</sup>  
Texas Municipal Retirement System  
Last Ten Fiscal Years

	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 196,306	\$ 170,563	\$ 161,434	\$ 148,430	\$ 139,552
Contributions in relation to the actuarially determined	196,306	170,563	161,434	148,430	139,552
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,980,968	\$ 1,591,167	\$ 1,522,643	\$ 1,432,831	\$ 1,347,317
Contributions as a percentage of covered payroll	9.91%	10.72%	10.60%	10.36%	10.36%

**NOTES TO SCHEDULE OF CONTRIBUTIONS TO PENSION PLAN**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes Adopted restricted prior service credit.

City of Van Alstyne, Texas  
Schedule of Changes in Total OPEB Liability and Related Ratios <sup>1</sup>  
Texas Municipal Retirement System  
Last Ten Measured Years

	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>		
Service Cost	\$ 3,568	\$ 3,137
Interest (on the Total OPEB Liability)	2,526	2,434
Effect of plan changes	-	-
Effect of assumption changes or inputs	(3,609)	-
Effect of economic/demographic (gains) or losses	(5,570)	6,809
Benefit payments	(649)	(660)
Net Change in Total OPEB Liability	<u>(3,734)</u>	<u>11,720</u>
Total OPEB Liability - Beginning	<u>74,861</u>	<u>63,141</u>
<b>Total OPEB Liability - Ending (a)</b>	<u><u>\$ 71,127</u></u>	<u><u>\$ 74,861</u></u>
 Covered Payroll	 \$ 1,621,705	 \$ 1,651,240
Total OPEB Liability as a Percentage of Covered Payroll	4.39%	4.53%

**NOTES TO SCHEDULE OF TOTAL OPEB LIABILITY**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

City of Van Alstyne, Texas  
Schedule of Contributions to OPEB Plan <sup>1</sup>  
Texas Municipal Retirement System  
Last Ten Fiscal Years

	2019	2018
Actuarially Determined Contribution	\$ 2,723	\$ 2,021
Contributions in relation to the actuarially determined contribution	<u>2,723</u>	<u>2,021</u>
Contribution deficiency (excess)	-	-
Covered payroll	\$ 1,980,968	\$ 1,591,167
Contributions as a percentage of covered payroll	0.1%	0.1%

**NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

**Valuation Timing:** Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Discount Rate	3.71%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

**Mortality:**

**Service Retirees** RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Disabled Retirees** RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

**Other Information:**

**Notes** There were no benefit changes during the year.



## **OTHER SUPPLEMENTARY INFORMATION**

City of Van Alstyne  
Van Alstyne Economic Development Corporation  
Balance Sheet - Discretely Presented Component Unit  
As of September 30, 2019

<b>Assets</b>	
Cash and cash equivalents	\$ 228,742
Receivables, net	34,741
Total Assets	<u>263,483</u>
 <b>Liabilities</b>	
Accounts payable	20,567
Accrued liabilities and other payables	4,285
Total Liabilities	<u>24,852</u>
 <b>Fund Balances</b>	
Restricted - economic development	238,631
Total Fund Balances	<u>238,631</u>
Total Liabilities and Fund Balances	<u>\$ 263,483</u>

City of Van Alstyne  
 Van Alstyne Economic Development Corporation  
 Reconciliation of Governmental Fund Balance Sheet  
 to the Statement of Net Position - Discretely Presented Component Unit  
 As of September 30, 2019

<b>Fund Balances - Discretely Presented Component Unit</b>	<b>\$ 238,631</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	386,705
Note receivable balances that are not due in the current period are not reported in the funds.	123,331
Long-term debt for the fiscal year is included in the Statement of Net Position.	(104,633)
Payables for bond interest which are not due in the current period are not reported in the funds.	(3,281)
<b>Net Position of Discretely Presented Component Unit - Statement of Net Position</b>	<b><u>\$ 640,753</u></b>

City of Van Alstyne, Texas  
 Van Alstyne Economic Development Corporation  
 Statement of Revenues, Expenditures, and Changes  
 in Fund Balances - Discretely Presented Component Unit  
 For the Year Ended September 30, 2019

**Revenue**

Taxes:

Sales	\$ 193,012
Rental income	6,817
Miscellaneous	943
Interest revenue	2,285
Total Revenues	<u>203,057</u>

**Expenditures**

Current:

Development services	68,698
Debt service:	
Principal retirement	8,867
Interest expense and fiscal charges	2,820
Capital outlay	305,382
Total Expenditures	<u>385,767</u>
Excess (Deficiency) of Revenues	
Over (Under) Expenditures	(182,710)

**Other Financing Sources (Uses)**

Principal from note receivable	1,055
Total Other Financing Sources (Uses)	<u>1,055</u>

**Net Change in Fund Balances** (181,655)

Fund Balances - October 1	420,286
Fund Balances - September 30	<u>\$ 238,631</u>

City of Van Alstyne, Texas  
 Van Alstyne Economic Development Corporation  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
 to the Statement of Activities - Discretely Presented Component Unit  
 For the Year Ended September 30, 2019

<b>Net Change in Fund Balances - Discretely Presented Component Unit</b>	<b>\$ (181,655)</b>
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	305,382
Loss on the sale of capital assets recorded in governmental activities is not recorded in the funds.	(99,506)
Note receivable revenue recorded is a revenue in the funds but not a revenue in the SOA.	(1,055)
The depreciation of capital assets used in governmental activities is not reported in the funds.	(40,978)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	8,867
Some expenses reported in the Statement of Activities do not require the use of current financial resources	
Accrued interest	2,820
<b>Change in Net Position of the Discretely Presented Component Unit</b>	<b><u>\$ (6,125)</u></b>

City of Van Alstyne, Texas  
Van Alstyne Economic Development Corporation  
Budgetary Comparison Schedule - Discretely Presented Component Unit  
For the Year Ended September 30, 2019

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Taxes:				
Sales taxes	\$ 192,000	\$ 192,000	\$ 193,012	\$ 1,012
Interest revenue	792	792	2,285	1,493
Rental income	-	-	6,817	6,817
Other	120	120	943	823
<b>Total Revenues</b>	<u>192,912</u>	<u>192,912</u>	<u>203,057</u>	<u>10,145</u>
<b>Expenditures</b>				
Current:				
Development services	213,880	213,880	68,698	(145,182)
Debt service:				
Principal	-	-	8,867	8,867
Interest expense and fiscal charges	700	700	2,820	2,120
Capital Outlay	-	323,005	305,382	(17,623)
<b>Total Expenditures</b>	<u>214,580</u>	<u>537,585</u>	<u>385,767</u>	<u>(151,818)</u>
<b>Revenues Over (Under) Expenditures</b>	(21,668)	(344,673)	(182,710)	(141,673)
<b>Other Financing Sources (Uses)</b>				
Proceeds from the sale of capital assets	-	104,836	-	(104,836)
Principal from note receivable	-	-	1,055	1,055
<b>Total Other Financing Sources</b>	-	104,836	1,055	(103,781)
<b>Net Change in Fund Balances</b>	(21,668)	(239,837)	(181,655)	(245,454)
<b>Fund Balances, October 1</b>	<u>420,286</u>	<u>420,286</u>	<u>420,286</u>	
<b>Fund Balances, September 30</b>	<u>\$ 398,618</u>	<u>\$ 180,449</u>	<u>\$ 238,631</u>	

City of Van Alstyne  
 Van Alstyne Community Development Corporation  
 Balance Sheet - Discretely Presented Component Unit  
 As of September 30, 2019

**Assets**

Cash and cash equivalents	\$ 288,573
Sales tax receivable	34,991
Total Assets	<u>323,564</u>

**Liabilities**

Accounts payable	3,862
Accrued liabilities and other payables	-
Total Liabilities	<u>3,862</u>

**Fund Balances**

Restricted - community development	319,702
Total Fund Balances	<u>319,702</u>

Total Liabilities and Fund Balances	<u>\$ 323,564</u>
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City of Van Alstyne, Texas  
 Van Alstyne Community Development Corporation  
 Reconciliation of the Governmental Fund Balance Sheet  
 to the Statement of Net Position - Discretely Presented Component Unit  
 September 30, 2019

<b>Fund Balances - Total Discretely Presented Component Unit</b>	<b>\$ 319,702</b>
Amounts reported for component unit activities in the Statement of Net Position that are different at the fund level.	-
<b>Net Position of Discretely Presented Component Unit - Statement of Net Position</b>	<b><u>\$ 319,702</u></b>



City of Van Alstyne, Texas  
 Van Alstyne Community Development Corporation  
 Statement of Revenues, Expenditures, and Changes  
 in Fund Balances - Discretely Presented Component Unit  
 For the Year Ended September 30, 2019

**Revenues**

**Taxes:**

Sales	\$ 193,012
Interest revenue	1,528
<b>Total Revenues</b>	<b><u>194,540</u></b>

**Expenditures**

**Current:**

Community development	79,902
Salaries	68,087
Advertising	21,203
Professional fees	8,314
Rent	7,200
Miscellaneous	3,444
Utilities	2,714
Maintenance & repairs	1,189
Supplies	876
<b>Total Expenditures</b>	<b><u>192,929</u></b>
<b>Excess (Deficiency) of Revenues</b>	
<b>Over (Under) Expenditures</b>	<b>1,611</b>

**Net Change in Fund Balances** **1,611**

Fund Balances - October 1	<u>318,091</u>
Fund Balances - September 30	<u><b>\$ 319,702</b></u>

City of Van Alstyne, Texas  
Van Alstyne Community Development Corporation  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities - Discretely Presented Component Unit  
For the Year Ended September 30, 2019

<b>Net Change in Fund Balances - Discretely Presented Component Unit</b>	<b>\$ 319,702</b>
Amounts reported for governmental activities in the Statement of Activities are different because at the fund	-
<b>Change in Net Position of the Discretely Presented Component Unit</b>	<b><u>\$ 319,702</u></b>

City of Van Alstyne, Texas  
Van Alstyne Community Development Corporation  
Budgetary Comparison Schedule - Discretely Presented Component Unit  
For the Year Ended September 30, 2019

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Taxes:				
Sales taxes	\$ 165,372	\$ 165,372	\$ 193,012	\$ 27,640
Interest revenue	600	600	1,528	928
<b>Total Revenues</b>	<u>165,972</u>	<u>165,972</u>	<u>194,540</u>	<u>28,568</u>
<b>Expenditures</b>				
Current:				
Community development	54,000	82,000	79,902	(2,098)
Salaries	68,010	68,010	68,087	77
Advertising	17,000	27,000	21,203	(5,797)
Professional fees	4,550	6,550	8,314	1,764
Rent	7,200	7,200	7,200	-
Miscellaneous	4,940	4,940	3,444	(1,496)
Utilities	3,300	3,300	2,714	(586)
Maintenance & repairs	3,000	3,000	1,189	(1,811)
Supplies	840	840	876	36
<b>Total Expenditures</b>	<u>162,840</u>	<u>202,840</u>	<u>192,929</u>	<u>(9,911)</u>
<b>Revenues Over (Under) Expenditures</b>	3,132	(36,868)	1,611	18,657
<b>Net Change in Fund Balances</b>	3,132	(36,868)	1,611	18,657
<b>Fund Balances, October 1</b>	<u>318,091</u>	<u>318,091</u>	<u>318,091</u>	
<b>Fund Balances, September 30</b>	<u>\$ 321,223</u>	<u>\$ 281,223</u>	<u>\$ 319,702</u>	

## **COMPLIANCE AND INTERNAL CONTROL SECTION**



**LaFollett and Company PLLC**  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the City Council  
City of Van Alstyne, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Van Alstyne, Texas (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 14, 2020.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2019-001 and 2019-002.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to the City in a separate letter dated July 14, 2020.

### **The City of Van Alstyne, Texas's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "LaFollett & Company PLLC". The signature is written in a cursive, flowing style.

LaFollett & Company PLLC  
Tom Bean, Texas  
July 14, 2020

City of Van Alstyne, Texas  
Schedule of Audit Findings and Responses  
For the Year Ended September 30, 2019

**FINANCIAL STATEMENT FINDINGS**

***Material Weakness***

2019-001: City of Van Alstyne Financial Reporting of Long-term Debt

Criteria: Internal controls over financial reporting should be adequate to ensure that the financial transactions and the related general ledger balances are properly recorded.

Condition: The City did not properly record the issuance of the 2019 Series Combination Tax and Revenue Certificates of Obligation in the amount of \$1,445,000. The incoming bond proceeds were incorrectly recorded and the related bond issuance costs and bond premium were not recorded. Also, the City did not record the issued debt in the long-term debt account group. These matters were not detected and corrected until the time of the audit.

Possible Asserted Effect: The internal control objectives are compromised and may not provide for the timely detection and correction of errors.

Cause: Internal controls over the financial reporting process are not properly designed and implemented to ensure the accuracy and completeness of financial transactions in the general ledger and financial reports.

Perspective: Staff is not properly trained to record the financial transactions of the long-term debt account group and there was not a system of internal control, including a review and approval process that could timely detect and correct errors.

Recommendation: We recommend the City hire a Financial Director with adequate knowledge and experience to properly record the transactions of the City in the general ledger. Also, the City should improve their year-end closing process to include a review of the final general ledger.

Management's Response: Management accepts and agrees with this comment. The net proceeds were recorded in the capital projects fund but the related bond costs and debt premium were not recorded in the general ledger. Also, the City did not record the debt in the long-term debt account group and thus missed it when preparing the debt roll forward. When brought to our attention by the auditor, the adjustment to properly record the debt and debt costs was prepared and presented. After audit, an adjustment to properly record the premium was proposed. The City has also, taken steps to employ a Chief Financial Officer. It is anticipated that this position will be filled prior to October 1, 2020.

City of Van Alstyne, Texas  
Schedule of Audit Findings and Responses  
For the Year Ended September 30, 2019

**FINANCIAL STATEMENT FINDINGS**

***Material Weakness***

2019-002: Economic Development Corporation (EDC) Financial Reporting

Criteria: Internal controls over financial reporting, cash receipts, and cash disbursements should be designed and implemented to ensure that financial transactions and the related general ledger balances are properly recorded. The EDC should be structured to provide adequate separation of duties, including supervision of staff work and an adequate review of the accounting records to timely detect and correct errors.

Condition: The EDC maintains their accounting records in QuickBooks that are prepared by an individual that is not properly trained to correctly record the financial transactions of the EDC. Also, financial reports are not reviewed by the Board or another individual to timely detect and correct errors. In the current and prior year, the EDC did not post all routine closing adjustments and various other material transactions were incorrectly recorded. This is a recurring comment.

Possible Asserted Effect: The EDC internal control objectives are compromised and may not provide for the timely detection and correction of errors.

Cause: Internal controls over the financial reporting process are not properly designed and implemented to ensure the accuracy and completeness of financial transactions.

Perspective: The EDC maintains their financial transactions in QuickBooks and the structure does not provide for proper review without board members also performing duties, which can be difficult given board rotation.

Recommendation: We recommend the EDC convert their accounting records to ASYST software, which is used by the City, as of October 1, 2019. The EDC financial transactions should be maintained as a separate fund in ASYST by existing City staff. Further, the EDC would not need any financial staff as all financial processes would occur at the City and their internal controls over cash receipts and check disbursement would be the same as the City. Check signing will still be performed by an authorized EDC board member.

Management's Response: Management accepts and agrees with this comment. The City will work with the EDC to migrate their accounting to ASYST upon the City hiring and training of a Chief Financial Officer.



City of Van Alstyne, Texas  
Summary Schedule of Prior Audit Findings and Responses  
For the Year Ended September 30, 2019

**FINANCIAL STATEMENT FINDINGS**

***Material Weakness***

2018-001:	Economic Development Corporation (EDC) Financial Reporting
Criteria:	Internal controls over financial reporting should be adequate to ensure that the financial transactions and the related general ledger balances are properly recorded.
Condition:	The EDC did not post routine closing adjustments at year end. Also, various other material transactions were incorrectly recorded, including two note payables in the amount of \$149,683 and \$113,500. This is a recurring finding.
Possible Asserted Effect:	The internal control objectives are compromised and may not provide for the timely detection of errors.
Cause:	Internal controls over the financial reporting process are not properly designed and implemented to ensure the accuracy and completeness of financial transactions. The EDC maintains their financial transactions in QuickBooks and the staff size does not provide for separation of duties without board members also performing duties, which can be difficult given board rotation.
Perspective:	Staff is not properly trained to record the financial transactions of the EDC and the board did not provide adequate review.
Recommendation:	We recommend the accounting for the EDC be moved to the ASYST software system and performed by City staff. Check signing will still be performed by an authorized EDC board member.
Management's Response:	The City has moved the accounting for the EDC to the ASYST software system and it is maintained by the City Controller and Finance Clerk.
Status:	During the year, the EDC took back their financial records from the City and continued to utilize QuickBooks. See finding 2019-2.

City of Van Alstyne, Texas  
Summary Schedule of Prior Audit Findings and Responses  
For the Year Ended September 30, 2019

**FINANCIAL STATEMENT FINDINGS (continued)**

***Material Weakness***

2018-002:	Economic Development Corporation (EDC) Board Oversight
Criteria:	The EDC Board should be structured to provide oversight to staff and ensure that operational objectives are conducted as approved. The approval of contracts and agreements by the EDC board are required to be documented in the EDC minutes to provide support for significant transactions.
Condition:	The new board was not aware that the EDC had entered into a note agreement and had an upcoming principle payment due until the time of the audit. The minutes of the EDC did not document that a note payable agreement in the amount of \$113,500 was entered to by the EDC.
Possible Asserted Effect:	The EDC operational objectives are compromised.
Cause:	Board structure and procedures for recording minutes to meetings are not adequate to provide for oversight of the EDC operations.
Perspective:	Written board member duties would assist in the proper oversight of EDC operations.
Recommendation:	We recommend the EDC board chairperson supervise staff and insure that operational objectives are conducted as approved. Additionally, ensure the board secretary is properly trained to record minutes to meetings that document significant transactions.
Management's Response:	The EDC has a completely new board and all significant transactions and information will be recorded in the minutes.
Status:	Finding is considered resolved.