

**City of Valley View, Texas**

**Annual Financial Report  
Year Ended September 30, 2020**

**Haynes & Associates, P.C.  
A Professional Corporation  
Certified Public Accountant  
405 North Oak Street  
Roanoke, Texas 76262**

# City of Valley View

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For the Year Ended September 30, 2020

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**Haynes and Associates, PC  
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405 North Oak Street  
Roanoke, TX 76262  
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**INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Valley View, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Valley View, State of Texas, as of and for the fiscal year ended September 30, 2020, and the related notes to 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 the 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 financial statements based on my audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's 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 and the business-type activities of the City of Valley View, State of Texas, as of September 30, 2020, and the respective changes in financial position and, where acceptable, cash flows thereof for the years 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 and budgetary comparison information on pages 3-8 and 29 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 Statements 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 the 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.



Haynes and Associates, P.C.

Roanoke, TX

February 17, 2021



# City of Valley View

## Management's Discussion and Analysis

For the Year Ending September 30, 2020

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As management of the City of Valley View, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year 2020 by \$858,403 (net position). Of these amounts \$194,113 and \$141,288 (unrestricted net position), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$179,092 for the fiscal year 2020.
- As of the close of the 2020 fiscal year, the City's governmental funds reported combined ending fund balances of \$194,113, an increase of \$88,604.
- The City's net indebtedness decreased by \$54,792 (7.9%), during the fiscal year 2020.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Valley View's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. The statement of net position presents information on all of the City's assets, deferred inflow and outflow, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicate of whether the financial position of the city is improving or deteriorating. The statement of net position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer line, etc.), to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's new position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g. uncollected taxes). Both the statement of the net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

# City of Valley View

## Management's Discussion and Analysis (Continued)

For the Year Ending September 30, 2020

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In this Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including police, fire, public services and operations, public works and general administration. Property taxes, sales taxes and franchise fees finance most of these activities
- **Business-type activities** – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer systems are reported here.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: government funds and proprietary funds.

**Governmental funds** – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City maintains one major governmental fund and three non-major governmental funds. These non-major funds serve to separate resources of the government into legally binding uses. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for general fund.

**Proprietary funds** – The City charges customers for the service it provides, whether to outside customers or to other units with the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net position and the Statement of Activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City has only one proprietary fund which is used to account for the City's water and sewer system's financial activities.

### **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the basic financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In this case of the City of Valley View, assets exceeded liabilities by \$858,403 as of September 30, 2020.

**City of Valley View**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ending September 30, 2020**

	Governmental		Business-type		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current Assets	\$217,161	224,424	\$148,933	\$64,519	\$366,094	\$288,943
Capital Assets	318,624	375,756	841,475	916,858	1,160,099	1,292,614
Other Assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>535,785</b>	<b>600,180</b>	<b>990,408</b>	<b>981,377</b>	<b>1,526,193</b>	<b>1,581,557</b>
<b>Deferred Outflow of Recourses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>						
Current Liabilities	29,933	50,536	55,145	64,136	85,078	114,672
Long-term Liabilities	27,029	65,593	555,683	650,506	582,712	716,099
<b>Total Liabilities</b>	<b>56,962</b>	<b>116,129</b>	<b>610,828</b>	<b>714,642</b>	<b>667,790</b>	<b>830,771</b>
<b>Deferred Inflow of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>						
Invested in Capital Assets, Net of Related Debt	284,710	283,180	238,292	260,122	523,002	543,302
Restricted New Assets	-	-	-	-	-	-
Unrestricted Net Assets	194,113	119,562	141,288	29,339	335,401	148,901
<b>Total Net Position</b>	<b>478,823</b>	<b>402,742</b>	<b>379,580</b>	<b>289,461</b>	<b>858,403</b>	<b>692,203</b>

The Largest portion of the City's net position (78.48% as of September 30, 2020) reflects its investment in capital assets (e.g. land, buildings, equipment, improvements, infrastructure and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for spending.

# City of Valley View

## Management's Discussion and Analysis (Continued)

For the Year Ending September 30, 2020

### Analysis of the City's Operations

When compared to the prior year, the largest components of the increase of net position were the increase in water sales and permits and fees. These increases can be attributed to population growth and housing development

The following table provides a summary of City's operations for the year ended September 30, 2020 with comparable information from the year ending September 30, 2019.

	Governmental		Business-Type		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Charges for Services						
Court Fines	70,726	43,569	-	-	70,726	43,569
Permits and Fees	64,119	51,304	-	-	64,119	51,304
Water and Sewer Fees	-	-	424,412	374,996	424,412	374,996
Operating Grants	59,033				59,033	
Building Fund	96,067	103,537	-	-	96,067	103,537
Total Program Revenue	289,945	118,985	424,412	374,996	714,357	595,182
General Revenue						
Property Tax	110,215	95,804	-	-	110,215	95,804
Sales Tax	204,402	205,629	-	-	204,402	205,629
Franchise Fees	53,372	56,919	-	-	53,372	56,919
Hotel Motel Tax	10,602				10,602	
Other General Revenues	32,690	123,862	-	-	32,690	123,862
Total General Revenues	411,281	482,214	-	-	411,281	482,214
Total Revenue	701,226	680,624	424,412	374,996	1,125,638	1,077,396
Program Expenses						
General Government	553,220	596,601	-	-	553,220	596,601
Water and Sewer	-	-	334,293	341,415	334,923	341,415
	-	1,723	-	-	-	1,723
Total Program Expenses	553,220	598,324	341,415	341,415	887,513	939,739
Changes in Net Position, before Transfers	88,973	82,300	90,119	33,581	179,092	115,881
Transfers, Net	0	0	0	0	-	-
Changes in Net Position, after Transfers	82,300	82,300	90,119	33,581	179,092	115,881
Net Position, Beginning	389,850	444,868	289,461	289,461	679,311	734,329
Net Position, Ending	478,823	527,168	379,580	323,042	858,403	850,210

# City of Valley View

## Management's Discussion and Analysis (Continued)

For the Year Ending September 30, 2020

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### Capital Assets

At the end of the fiscal year 2020, the City had \$1,166,099 invested in broad range of capital assets, including police equipment, buildings, infrastructure, and water and sewer lines.

The following table provides a summary of the City's additions to capital assets for the year ended September 30, 2020:

Capital Assets as of September 30, 2019, Net of Depreciation	\$ 1,290,614
<u>Activity during Fiscal Year Ending September 30, 2019</u>	
Building Improvements	-
Road Improvements	-
Water System Improvements	-
Vehicles and Other Equipment	-
Adjustments: Due to Depreciation	(132,515)
Capital Assets as of September 30, 2019, Net of Depreciation	<u>\$1,166,099</u>

For additional summary information on the City's capital assets see Note C on the Notes to the Financial Statements.

### Debt

The following table provides a summary of the City's long-term debt activity for the year ended September 30, 2020

	<u>Balance</u>
Long-term Debt as of September 30, 2019	\$691,889
<u>Activity during Fiscal Year Ending September 30, 2020</u>	
Payment Time Warrants – series 2008	(17,104)
Payment Time Warrants – series 2008	( 2,443)
Payment Time Warrants – series 2011	(30,403)
Payments to Car Notes	( 4,842)
Payments to Capital Lease	-
Payments/Issue of New Debt Truck Notes	-
Long-term Debt as of September 30, 2020	<u>\$637,097</u>

# City of Valley View

## Management's Discussion and Analysis (Continued)

For the Year Ending September 30, 2020

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For additional summary information on the City's long-term debt see Note E of the Notes to the Financial Statements

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

This financial report is designed to provide our citizens, customers, investors 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, contact the City Secretary at: 101 S. Frontage Road, Valley View, Texas 76272.

# City of Valley View

## Statement of Net Position

As of September 30, 2020

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	\$ 309,444	\$	309,444
Receivables:			-
Accounts		50,803	50,803
Property Tax	5,847		5,847
Interfund Receivables (Payables), Net	(98,130)	98,130	-
Total Current Assets	217,161	148,933	366,094
Capital Assets			
Non-Depreciable	21,500	6,000	27,500
Depreciable, Net	297,124	835,475	1,132,599
Total Capital Assets	318,624	841,475	1,160,099
<b>Total Assets</b>	535,785	990,408	1,526,193
<b>Deferred Outflow of Resources</b>			
Deferred Outflow of Resources			
<b>Total Deferred Outflow of Resources</b>			
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	23,048	-	23,048
Customer Deposits		7,645	7,645
Current Portion of Long-term Debt	6,885	47,500	54,385
Total Current Liabilities	29,933	55,145	85,078
Long-term Debt, net of current portion	27,029	555,683	582,712
<b>Total Liabilities</b>	56,962	610,828	667,790
<b>Deferred Inflow of Resources</b>			
Deferred Inflow of Resources			
<b>Total Deferred Inflow of Resources</b>			
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	284,710	238,292	523,002
Unrestricted	194,113	141,288	335,401
<b>Total Net Position</b>	\$ 478,823	\$ 379,580	\$ 858,403

The accompanying notes are an integral part of these financial statements

# City of Valley View

Statement of Activities

For Year Ended September 30, 2020

Function/Program Activities	Expenses	Program Revenues			Net (Expenses)/Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities							
General Government	\$ (138,118)	\$ 64,119		\$ -	\$ (73,999)		\$ (73,999)
Municipal Court	(66,905)	70,726			3,821		3,821
Police	(292,571)	-	59,033		(292,571)		(292,571)
Parks and Rec	(4,691)				(4,691)		(4,691)
Maintenance	(41,380)	96,067			54,687		54,687
Debt Service	(9,555)				(9,555)		(1,279)
Total Governmental Activities	(553,220)	230,912	59,033	-	(322,308)	-	(314,032)
Business-type Activities							
Water and Sewer Fund	(334,293)	424,412				90,119	4,289
Total Business-type Activities	(334,293)	424,412	-	-	-	90,119	4,289
<b>Total Primary Government</b>	<b>(887,513)</b>	<b>655,324</b>	<b>59,033</b>	<b>-</b>	<b>(322,308)</b>	<b>90,119</b>	<b>(309,743)</b>
<b>General Revenues</b>							
Property Tax					110,215		110,215
Franchise Fees					53,372		53,372
Sales Tax					204,402		204,402
Hotel Motel Tax					10,602		10,602
Miscellaneous					32,690		32,690
<b>Total General Revenues</b>					<b>411,281</b>	<b>-</b>	<b>411,281</b>
Transfers					-	-	-
<b>Change in Net Position</b>					<b>88,973</b>	<b>90,119</b>	<b>179,092</b>
Net Position- Beginning					389,850	289,461	679,311
<b>Net Position- Ending</b>					<b>\$ 478,823</b>	<b>\$ 379,580</b>	<b>\$ 858,403</b>

The accompanying notes are an integral part of these financial statements



# City of Valley View

Balance Sheet and Reconciliation - Governmental Funds

As of September 30, 2020

	General Fund	Total Non-major Funds	Total
<b>Assets</b>			
Cash and Cash Equivalents	306,367	3,077	309,444
Property Tax Receivable	5,847		5,847
Interfund		85,271	85,271
<b>Total Assets</b>	312,214	88,348	400,562
<b>Deferred Outflow of Resources</b>			
Deferred Outflow of Resources			
<b>Total Deferred Outflow of Resources</b>	-	-	-
<b>Liabilities</b>			
Accounts Payable	23,048		23,048
Interfund Payable	183,401		183,401
<b>Total Liabilities</b>	206,449	-	206,449
<b>Deferred Inflow of Resources</b>			
Deferred Inflow of Resources	-		-
<b>Total Deferred Inflow of Resources</b>	-	-	-
<b>Fund Balances</b>			
Assigned		88,348	88,348
Unassigned	105,765		105,765
<b>Total Fund Balances</b>	105,765	88,348	194,113

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

# City of Valley View

## Balance Sheet and Reconciliation - Governmental Funds (Continued)

As of September 30, 2020

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### Reconciliation of the Governmental Funds - Balance Sheet to the Statement of Net Position

Total Fund Balance - Total Governmental Funds	\$	194,113
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Amounts reported for governmental activities in the statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet		318,624
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Long term debt used for governmental activities is not current financial resource and does not require current resource and, therefore, not reported in the funds.		(7,285)
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Receivable assets not available to pay for current period expenditures and, therefore, are deferred in the funds.		(26,629)
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<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>478,823</b>
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# City of Valley View

Statement of Revenue, Expenditures, and Changes in  
Fund Balances and Reconciliation - Governmental Funds  
For Year Ended September 30, 2020

	General Fund	Total Non- major Funds	Total
<b>Revenue</b>			
Property Tax	\$ 110,215		\$ 110,215
Franchise Fees	53,372		53,372
Sales Tax	204,402		204,402
Hotel Motel Tax	10,602		10,602
Permits and Inspections	64,119		64,119
Grants	56,307	2,726	59,033
Building Fund	96,067		96,067
Municipal Court Fines	70,726	-	70,726
Miscellaneous	32,690	-	32,690
<b>Total Revenue</b>	<b>698,500</b>	<b>2,726</b>	<b>701,226</b>
<b>Expenditures</b>			
Current:			
General Government	195,706	1,814	197,520
Municipal Court	66,905		66,905
Police	292,571		292,571
Recreation and Park Services	4,691		4,691
Maintenance	41,380		41,380
Debt Service	9,555		9,555
Capital Outlay	-		-
<b>Total Expenditures</b>	<b>610,808</b>	<b>1,814</b>	<b>612,622</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>87,692</b>	<b>912</b>	<b>88,604</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from (to) Other Funds, Net	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>87,692</b>	<b>912</b>	<b>88,604</b>
Fund Balance- Beginning	18,073	87,436	105,509
<b>Fund Balance- Ending</b>	<b>\$ 105,765</b>	<b>\$ 88,348</b>	<b>\$ 194,113</b>

The accompanying notes are an integral part of these financial statements

# City of Valley View

Statement of Revenue, Expenditures, and Changes in

Fund Balances and Reconciliation - Governmental Funds (Continued)

For the Year Ended September 30, 2020

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## Reconciliation of the Government Funds Statement of Activities

Net Change in Fund Balances - Total Governmental Funds	\$	88,605
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Amounts reported for governmental activities in the statement of Net Position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the life of the assets as depreciation. This is the amount by which capital outlays exceeded depreciation.		1,806
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		5,847
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Principal payments of long-term debt are recorded as expenditures on the governmental funds report but on the governmental-wide statements are reported as decreases of assets. This is the amount of principal paid long-term liabilities during the year.		(7,285)
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Issuance of long-term debts are recorded as increases in Other Financing Sources on		-
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<b>Change in Net Position of governmental activities</b>	<b>\$</b>	<b>88,973</b>
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The accompanying notes are an integral part of these financial statements

# City of Valley View

Statement of Net Position - Proprietary Fund

As of September 30, 2020

## Assets

### Current Assets

Cash and Cash Equivalents	\$	-
Accounts Receivable		50,803
Interfund Receivable		98,130
Total Current Assets		<u>148,933</u>

### Capital Assets

Land		6,000
Buildings and Facilities, Net		796,915
Furniture, Fixtures and Equipment, Net		38,560
Total Capital Assets		<u>841,475</u>

<b>Total Assets</b>		<u>990,408</u>
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<b>Deferred Outflows</b>		<u>-</u>
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## Liabilities

### Current Liabilities

Accounts Payable		-
Customer Deposits		7,645
Current Portion of Long-term Debt		47,500
Total Current Liabilities		<u>55,145</u>

Long-term Debt, Net of Current Portion		<u>555,683</u>
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<b>Total Liabilities</b>		<u>610,828</u>
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<b>Deferred Inflows</b>		<u>-</u>
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## Net Position

Invested in Capital Assets, Net of Related Debt		238,292
Unrestricted		<u>141,288</u>
<b>Total Net Position</b>	\$	<u>379,580</u>

The accompanying notes are an integral part of these financial statements

# City of Valley View

## Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Fund For Year Ending September 30, 2020

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### Operating Revenues

Water and Sewer Sales	\$ 424,412
<b>Total Operating Revenue</b>	<b>424,412</b>

### Operating Expenses

Miscellaneous Expense	22,272
Office Expense	1,442
Utilities	30,512
Repairs and Maintenance	28,670
Contract Labor	85,509
Water Fees	61,825
Depreciation	75,383
<b>Total Operating Expenses</b>	<b>305,613</b>

<b>Operating Income (Loss)</b>	<b>118,799</b>
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### Non-operating Revenues (Expenses)

Interest Expense	(28,680)
<b>Total Non-operating Revenues (Expenses)</b>	<b>(28,680)</b>

Transfers from (to) Other Funds	-
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<b>Change in Net Position</b>	<b>90,119</b>
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Total Net Position- Beginning	289,461
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<b>Total Net Position- Ending</b>	<b>\$ 379,580</b>
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The accompanying notes are an integral part of these financial statements

# City of Valley View

Statement of Cash Flows - Proprietary Fund  
As of September 30, 2020

## Cash Flows from Operating Activities

Receipts from Customers	\$	424,412
Payments to Suppliers of Goods and Services		(305,613)
<b>Net Cash Flows from Operating Activities</b>		<b>118,799</b>

## Cash Flows from Non-Capital Financing Activities

Transfers From (To) Other Funds		-
<b>Net Cash Flows from Non-Capital Financing Activities</b>		<b>-</b>

## Cash Flows from Capital and Related Financing Activities

Acquisition of Fixed Assets		-
Principal Payments on Debt		(47,507)
Interest Payments on Debt		(28,680)
<b>Net Cash Flows from Capital and Related Financing Activities</b>		<b>(76,187)</b>

## Cash Flows from Investing Activities

<b>Net Increase in Cash and Cash Equivalents</b>		<b>-</b>
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Cash and Cash Equivalents - Beginning		-
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<b>Cash and Cash Equivalents - Ending</b>	<b>\$</b>	<b>-</b>
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## Reconciliation of Total Cash to the Statement of Net Position

Unrestricted Cash and Cash Equivalents	\$	-
Restricted Cash and Cash Equivalents		-
<b>Total Cash and Cash Equivalents</b>	<b>\$</b>	<b>-</b>

## Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities

Operating Income (Loss)	\$	118,799
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## Reconciliation Adjustments:

Increase in receivables		(13,716)
Increase in payables		(61,667)
Depreciation		75,383
<b>Total Reconciliation Adjustments</b>		<b>-</b>

<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$</b>	<b>118,799</b>
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The accompanying notes are an integral part of these financial statements

# City of Valley View

## Notes to the Financial Statements

For the Year Ending September 30, 2020

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### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Valley View, Texas operates under the “Mayor-Council” form of government and provides such services as authorized by its charter to advance the welfare, health, comfort, safety and convenience of the City and its inhabitants.

The accompanying financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to extend that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has not elected to follow subsequent private-sector guidance. The more significant accounting and reporting policies and practices used by the City are described below.

#### **Financial Statement Presentation**

The financial statements presented in this report conform to the reporting requirements of the Governmental Accounting Standards Board (GASB), which establishes combined statements at the required reporting level for governmental entities that present financial statements in accordance with generally accepted accounting principles.

#### *Reporting Entity*

Generally accepted accounting principles require these financial statements to present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City’s operations and so data from these combined with data of the primary government.

For the September 30, 2020 fiscal year, the City does not have any entities that could be considered component units.

#### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities for reporting entity. These statements are designed to provide readers with a broad overview of the City’s finances in a manner similar to private-sector business. The effect of interfund activity has been removed from these statements. Governmental activities which are partially supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable. The statement of net position present information on all the City’s assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as “net position.” Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City’s net position changed during the fiscal year. This statement also demonstrates the degree to which the direct expenses of a given activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational



# City of Valley View

## Notes to the Financial Statements (Continued)

For the Year Ending September 30, 2020

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or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

### *Fund Financial Statements*

Fund financial statements are provided for all governmental funds and propriety funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All non-major funds are aggregated and presented in a single column. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to aid financial management and demonstrate legal compliance.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

### **Basis of Accounting and Measurement Focus**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that amount of the transaction can be determined and "available" means collectively within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considered revenues to be available if they are collected within 60 days of the fiscal year-end except investment income which is recorded as earned. However, accrued interest long-term debt, as well as expenditures related compensated absences, are recorded only when the payment is due.

The revenues susceptible to accrual in governmental funds are ad valorem franchise taxes, sales taxes, interest earned, certain charges for services and intergovernmental revenues, if such revenues are both measurable and available as previously defined. Licenses and permits and municipal court fines are recognized when payment is received. The deferred revenues account is utilized in governmental funds to record earned amounts which are unavailable to liquidate liabilities of the current period (i.e., not collectable within 60 days).

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operation operations revenues of the City's water and sewer funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses.

# City of Valley View

## Notes to the Financial Statements (Continued)

For the Year Ending September 30, 2020

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The City reports the following governmental funds:

The General Fund primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another field.

The Court Technology Fund is a revenue fund of the municipal court. It is used to account for legally restrictive Court Technology Fees collected from municipal court for this purpose of improving the court's technology.

The Court Security Fund is a special revenue fund of the municipal court. It is used to account for legally restrictive Court Security Fees collected from the municipal court for the purpose of improving the court's security.

The Officer Training Fund is a special revenue fund of the police department. Is it used to account for the state of Texas' allocation of funds for Law Enforcement Officer Standards and Education; these funds are restricted to the education and training of law enforcement officers.

The City reports to the following fund:

The Water and Sewer Fund is used to account for the rendering of water and sewer services to the residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operation, maintenance debt services, and billing and collecting.

### *Encumbrances*

The City does not utilize an encumbrance accounting system; therefore, encumbrances have not been recorded in these financial statements. At year end, a review disclosed no material commitments that require disclosure as encumbrances.

### *Cash and Cash Equivalents*

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

### *Capital Assets and Depreciation*

Capital assets, which include land, buildings, infrastructure, improvements, equipment and construction in progress, 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 recorded at historical cost or estimated historical cost. Donated capital assets are valued at their fair value on the date donated. Repairs and maintenance are recorded as expenses. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized for business-type activity assets during the construction period as such accounts are not material.

Assets capitalized have an original cost of \$500 or more and a useful life of at least two years. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Property	Life (in years)
Buildings	25 to 50
Infrastructure and Improvements	15 to 50
Equipment	3 to 20

# City of Valley View

## Notes to the Financial Statements (Continued)

For the Year Ending September 30, 2020

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### *Bond Issuance Costs*

In governmental fund types, bond costs are recognized in the current period. For proprietary fund type, bond issuance costs are amortized over the term of the bonds using the straight-line method.

### *Long-Term Debt*

General Obligation Bonds issued for general government capital projects that are to be repaid from tax revenues of the City are recorded in the government-wide statement of net position. Revenue Bonds issued for Proprietary Fund assets that are to be repaid by Proprietary Fund are recorded in the Proprietary Fund.

Revenue Bonds have been issued to fund capital projects of Proprietary Funds. Such bonds are to be prepaid from the new revenues of the Proprietary Fund.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred and amortized over the term of the related debt. In the fund financial statements, issuance costs, as well as bond premiums and discounts, are recognized when incurred.

### *Property Tax Revenues*

The City's ad valorem property tax is levied each October 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> for all real and business personal property located in the City. Certain properties of religious, educational and charitable organizations, as well as the Federal government and the State of Texas, are exempt from taxation.

Taxes are due on October 1<sup>st</sup> and become delinquent by January 1<sup>st</sup> following the October 1<sup>st</sup> levy date. Delinquent real property taxes are expected to be collected as the delinquent amounts from a lien against the related property until paid.

### *Sales Taxes Revenues*

Sales taxes are collected by the state of Texas and the City receives such payment one per month, electronically. Sales Tax Revenue is accrued once payment has been made to the City.

### *Budget*

The budget for the City formally adopted by the City Council at an advertised public meeting during the preceding month that of the fiscal year the budget covers. Amendments are made throughout the year as needed.

### *Interfund Transactions*

Multiple interfund transactions occur during the fiscal year because the City utilize a single operating account for most of the City's transactions and a single non-operating account for a non-major governmental fund. On an ordinary basis interfund payables and receivable are recorded when money is collected with a restricted but is deposited in the general operating account and in the instance of a transfer of capital assets or similar transaction an interfund payable and receivable is also recorded. An interfund transfer is recorded when money is transferred from one account to another while there is no legal restriction to the use of the money. The most common interfund transfer is between the enterprise fund and the general fund. Any excess or deficiency of money generated from the enterprise account is covered by drawing funds from the general funds. Because of this the ending cash balance for the enterprise fund will always equal \$0 (zero.)

# City of Valley View

## Notes to the Financial Statements (Continued)

For the Year Ending September 30, 2020

### NOTE B – CASH AND CASH EQUIVALENTS

#### Deposits

The City's deposits are protected by two layers of assurance. First, deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per deposit class per bank. Second, if deposits remain uninsured the depository institution is required to pledge various investment grade securities as collateral for the City. From December 31, 2010 to September 30, 2020 an additional class of deposits was introduced as non-interest bearing transaction accounts. These accounts would be insured 100% by the FDIC. The City operates all deposit accounts as non-interest bearing checking accounts, and therefore, are insured completely by the FDIC.

As of September 30, 2020, the City had a combined balance of \$309,444. Out of those combined balances all are protected by the FDIC insurance.

### NOTE C – PROPERTY AND EQUIPMENT

#### Activity

The following is a summary of the changes in capital assets for the year ending September 30, 2020.

<b>Capital Assets of Governmental Activities</b>				
	Balance at 9/30/2019	Activity, FY 2020		Balance at 9/30/2020
		Additions	Retirements	
Non-depreciable Capital Assets				
Land	\$21,500	-	-	\$21,500
Construction in Progress	-	-	-	-
Total Non-depreciable Capital Assets	21,500	-	-	21,500
Depreciable Capital Assets				
Buildings and Improvements	142,844	-	-	142,844
Furniture and Equipment	304,536	-	-	304,536
Land Improvements	359,738	-	-	359,738
Total Depreciable Capital Assets	807,118	-	-	807,118
Accumulated Depreciation	452,862	57,132	-	509,994
Net Depreciable Capital Assets	354,256	(57,132)	-	297,125
Net Capital Assets of Governmental Activities	\$375,756	(\$57,132)	-	\$318,624

**Capital Assets of Enterprise Activities**

	Balance at 9/30/2019	Activity, FY 2020		Balance at 9/30/2020
		Additions	Retirements	
Non-depreciable Capital Assets				
Land	\$6,000	-	-	\$6,000
Construction in Progress	-	-	-	-
Total Non-depreciable Capital Assets	6,000	-	-	6,000
Depreciable Capital Assets				
Buildings and Improvements	1,397,204	-	-	1,397,204
Furniture and Equipment	86,246	-	-	86,246
Total Depreciable Capital Assets	1,483,450	-	-	1,483,450
Accumulated Depreciation	(572,595)	(75,383)	-	(647,978)
Net Depreciable Capital Assets	910,858	(75,383)	-	835,475
Net Capital Assets of Governmental Activities	\$916,858	\$(75,383)	-	\$847,475

**Significant Additions**

During the 2020 fiscal year, the City invested into improving the City's infrastructure through road improvements and water system improvements

**Depreciation**

Additions to accumulated depreciation for the year ended September 30, 2020 were applied to the following:

Depreciation Expense				
Function/Program	FY 2020		FY 2019	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
General Governmental	\$ 57,132	\$ -	\$ 51,597	\$ -
Water and Sewer Fund	-	75,383	-	71,643
Total	\$ 57,132	\$ 71,643	\$ 51,597	\$ 71,643

**NOTE D- INTERFUND BALANCES AND TRANSFERS**

The City utilizes a single bank account to handle both Governmental Fund and Water/Sewer Fund monies. During the year, transfers are made from the General Fund to the Water and Sewer Fund to account for expenditures made in excess of collected revenues.

Transfers are also made from the Water and Sewer Fund to the General Fund account for excess collections of revenue per expenditures. For the year ended September 30, 2020, \$0 of transfers were made from the Water and Sewer Fund to the General Fund.

# City of Valley View

## Notes to the Financial Statements (Continued)

For the Year Ending September 30, 2020

### NOTE E – LONG-TERM DEBT

#### Activity

A summary of long-term debt transactions, including the current portion, for the year ending September 30, 2019 are as follows:

<b>Changes and Balances of Long-term Debt</b>					
	Balance at	FY 2020 Changes		Balance at	Amount due
	9/30/2019	Additions	Retirements	9/30/2020	by 09/30/21
<b>Governmental Activities</b>					
First State Bank					
Warrants 2008 series, Government Portion	27,971	-	2,443	25,528	2,440
Government Capital					
Trucks, Police & General Govt	13,228	-	4,842	8,386	4,445
<i>Total Governmental Activities</i>	41,199	-	7,285	33,914	6,885
<b>Business- Type Activities</b>					
First State Bank					
Warrants 2008 series, Enterprise Portion	195,056	-	17,104	177,952	17,100
Warrants 2011, series, Enterprise Portion	455,634	-	30,403	425,231	30,400
<i>Total Business-Type Activities</i>	650,690	-	47,507	603,183	47,500
<i>Total Government-Wide</i>	\$691,889	-	\$ 54,792	\$637,097	\$ 54,385

#### Outstanding Debt

On April 15, 2008, the City issued time warrants through First State Bank in the amount of \$400,000 for the purpose of refinancing existing debt, purchasing the water system within the city limits, and to improve said system. The time warrants initially have a 5.67% APR for the first ten years (120 months) and an adjustable (Wall Street Journal Prime Rate) for the remaining 20 years (240 months.) For the purpose of allocation amongst funds 12.5% of the related activity reported in the general fund and 87.5% is reported in the enterprise fund.

On August 19, 2011, The City and lending institution (First State Bank) agreed to modify the terms of the Series 2008 Time Warrants. Interest rates were lowered to 4% for the first 84 months and then adjustable interest (to the Wall Street Journal Prime Rate) for the remainder of the time warrant. Rates are adjusted at intervals of 60 months.

The City issued \$665,000 in time warrants on August 19, 2011. The time warrants initially have a 3.75% APR for the first five years (60 months) and an adjustable (Wall Street Journal Prime Rate) for the remaining 15 years (180 months) at intervals of 60 months. These warrants were for the purchase of a water system that would increase the City's customer base as well as improvements to this system.

During the 2014 fiscal year, the City also acquired various 4-5 year notes and capital leases for the purchase of vehicular capital assets. These debts range from 3.2% and 5.4% fixed rate APR.

# City of Valley View

## Notes to the Financial Statements (Continued)

For the Year Ending September 30, 2020

### Outlook

The principal and interest requirements for the long-term debt future fiscal years are as follows:

#### Government-wide Debt Requirements

Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	6,885	3,730	10,615	47,500	28,762	76,262
2022	6,675	2,595	9,270	48,530	22,488	71,018
2023-2027	11,500	4,416	15,916	194,118	90,674	284,792
2028-2032	6,826	1,198	8,024	198,753	54,044	252,797
2033-2034	2,028	0	2,028	114,282	12,924	127,206
Total	33,914	11,939	45,853	603,183	202,610	812,075

### NOTE F – CONTRACTS

#### The Greater Texoma Utility Authority (GTUA)

In March 1994, the City entered into an agreement with the GTUA, whereby the GTUA agreed to Issue revenue bonds and to pay, when combined with other funds, the cost to make improvements to the City's wastewater treatment plant and collection system. The GTUA subsequently issued \$350,000 in contract revenue bonds, series 1993-A, for the purpose stated above. The City has agreed, and is obligated to the GTUA to make payments from the pledged revenues of the Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due.

### NOTE G – 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 disasters. The City purchases commercial insurance through the Texas Municipal League. The City retains no risk of loss for these coverage's. 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.

### NOTE – SUBSEQUENT EVENTS

There have been no events after September 30, 2020, that would require adjustments to, disclosure in, these financial statements.

# City of Valley View

Balance Sheet - Governmental Non-major Funds

As of September 30, 2020

	Officer Training Fund	Court Security Fund	FEMA Grant	Court Technology Fund	Total Non-major Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 3,077				\$ 3,077
Interfund Receivable		29,417	15,048	40,806	85,271
<b>Total Assets</b>	<b>3,077</b>	<b>29,417</b>		<b>40,806</b>	<b>88,348</b>
<b>Deferred Outflow of Resources</b>	-	-		-	-
<b>Liabilities</b>	-	-		-	-
<b>Deferred Inflow of Resources</b>	-	-		-	-
<b>Fund Balances</b>					
Assigned	3,077	29,417	15,048	40,806	88,348
<b>Total Fund Balances</b>	<b>\$ 3,077</b>	<b>\$ 29,417</b>	<b>\$ 15,048</b>	<b>\$ 40,806</b>	<b>\$ 88,348</b>



# City of Valley View

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental

### Non-Major Funds

As of September 30, 2020

	Officer Training Fund	Court Security Fund	FEMA Grant	Court Technology Fund	Total Non-major Funds
<b>Revenue</b>					
Municipal Court Fines	-	-		-	-
Officer Training	-				-
Grants	2,726	-	-	-	2,726
<b>Total Revenue</b>	2,726	-	-	-	2,726
<b>Expenditures</b>					
Current:					
General Government	1,814			-	1,814
<b>Total Expenditures</b>	1,814	-	-	-	1,814
<b>Excess (Deficiency) of Revenues over Expenditures</b>	912	-	-	-	912
<b>Other Financing Sources (Uses)</b>	-	-	-	-	-
<b>Net Change in Fund Balances</b>	912	-	-	-	912
Fund Balance - Beginning	2,165	29,417	15,048	40,806	87,436
<b>Fund Balance - Ending</b>	\$ 3,077	\$ 29,417	\$ 15,048	\$ 40,806	\$ 88,348

# City of Valley View

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

As of September 30, 2020

	<u>Budgeted</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Miscellaneous Revenues	22,280	22,280	128,757	106,477
Resource Officer	52,714	52,714	59,033	6,319
Water Sales	409,820	409,820	424,412	14,592
Franchise Fee Revenue	58,000	58,000	53,372	(4,628)
Sales Tax Revenue	214,072	214,072	215,004	932
Municipal Court Revenues	65,596	65,596	70,726	5,130
Property Tax Revenue	104,397	104,397	110,215	5,818
Permits	63,000	63,000	64,119	1,119
<b>Total Revenues</b>	989,879	989,879	1,125,638	135,759
<b>Expenditures</b>				
Personnel Costs	314,751	314,751	306,382	8,369
Miscellaneous Expense	4,000		4,096	(4,096)
Supplies	6,400	6,400	6,150	250
Utilities	48,729	48,729	46,172	2,557
Office Expense	16,204	16,204	16,164	40
Professional Fees	87,760	87,760	82,927	4,833
Insurance	17,258	17,258	17,258	-
Depreciation	75,383	75,383	75,383	-
Repairs and Maintenance	66,668	66,668	40,700	25,968
Water/Sewer Expenses	200,657	200,657	191,648	9,009
Police/Court Fees	79,050	79,050	64,577	14,473
State Court Fees	29,000	29,000	36,056	(7,056)
<b>Total Expenditures</b>	945,860	941,860	887,513	54,347
<b>Excess (Deficiency) of Revenues over Expenditures</b>	44,019	48,019	238,125	81,412
<b>Other Financing Sources (Uses)</b>				
Interest Expense	30,000	30,000	28,680	1,320
<b>Net Change in Fund Balances</b>	74,019	78,019	266,805	82,732