

CITY OF VALLEY VIEW, TEXAS

Basic Financial Statements

And

Independent Auditor's Report

**For the Fiscal Year Ended
September 30, 2021**

**Haynes and Associates, P.C.
Certified Public Accountant
817-491-1300**

City of Valley View

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**Haynes and Associates, PC
Certified Public Accountant
405 North Oak Street
Roanoke, TX 76262
817-491-1300**

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, 2021, 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, 2021, 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 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 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
January 14, 2022

City of Valley View

Management's Discussion and Analysis

For the Year Ending September 30, 2021

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, 2021. 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 2021 by \$1,043,150 (net position). Of these amounts \$323,646 in Governmental Activities and \$241,744 in Business Type Activities (Water and Sewer Fund) (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 \$184,747 for the fiscal year 2021.
- As of the close of the 2021 fiscal year, the City's governmental funds reported combined ending fund balances of \$289,910, an increase of \$95,797.
- The City's net indebtedness decreased by \$57,451 (9.02%), during the fiscal year 2021.

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, 2021

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, 2021.

City of Valley View
Management's Discussion and Analysis (Continued)
For the Year Ending September 30, 2021

	Governmental		Business-type		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current Assets	\$348,275	217,161	\$250,636	\$148,933	\$598,911	\$366,094
Capital Assets	261,493	318,624	795,914	841,475	1,057,407	1,160,099
Other Assets	-	-	-	-	-	-
Total Assets	609,768	535,785	1,046,550	990,408	1,656,318	1,526,193
Deferred Outflow of Recourses	-	-	-	-	-	-
Liabilities						
Current Liabilities	24,817	29,933	58,493	55,145	83,310	85,078
Long-term Liabilities	20,493	27,029	503,895	555,683	524,388	582,712
Total Liabilities	45,310	56,962	-	610,828	607,698	667,790
Deferred Inflow of Resources	5,470	-	-	-	5,470	-
Net Position						
Invested in Capital Assets, Net of Related Debt	235,342	284,710	242,418	238,292	477,760	523,002
Restricted New Assets	-	-	-	-	-	-
Unrestricted Net Assets	323,646	194,113	241,744	141,288	565,390	335,401
Total Net Position	558,988	478,823	484,162	379,580	1,043,150	858,403

The largest portion of the City's net position (60.93% as of September 30, 2021) 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, 2021

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, 2021 with comparable information from the year ending September 30, 2020.

	Governmental		Business-Type		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues						
Charges for Services						
Court Fines	74,097	70,726	-	-	74,097	70,726
Permits and Fees	39,424	64,119	-	-	39,424	64,119
Impound Fees	53,335	-	-	-	53,335	-
Water and Sewer Fees	-	-	467,942	424,412	467,942	424,412
Operating Grants	48,322	59,033	-	-	48,322	59,033
Building Fund	10,440	96,067	-	-	10,440	96,067
Total Program Revenue	225,618	289,945	467,942	424,412	693,560	714,357
General Revenue						
Property Tax	120,859	110,215	-	-	120,859	110,215
Sales Tax	282,123	204,402	-	-	282,123	204,402
Franchise Fees	50,139	53,372	-	-	50,139	53,372
Hotel Motel Tax	15,287	10,602	-	-	15,287	10,602
Other General Revenues	34,230	123,862	-	-	34,230	32,690
Total General Revenues	502,638	482,214	-	-	502,638	411,281
Total Revenue	728,256	701,226	467,942	424,412	1,196,198	1,125,638
Program Expenses						
General Government	599,769	553,220	-	-	599,769	553,220
Water and Sewer	-	-	363,360	334,293	363,360	334,293
Total Program Expenses	599,769	553,220	363,360	334,293	916,580	887,513
Changes in Net Position, before Transfers	80,165	88,973	104,582	90,119	184,747	179,092
Transfers, Net	0	0	0	0	0	0
Changes in Net Position, after Transfers	80,165	88,973	104,582	90,119	179,092	179,092
Net Position, Beginning	478,823	389,850	379,580	289,461	858,403	379,311
Net Position, Ending	558,988	478,823	484,162	379,580	1,043,150	858,403

City of Valley View

Management's Discussion and Analysis (Continued)

For the Year Ending September 30, 2021

Capital Assets

At the end of the fiscal year 2021, the City had \$1,057,407 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, 2021:

Capital Assets as of September 30, 2020, Net of Depreciation	\$ 1,166,099
<u>Activity during Fiscal Year Ending September 30, 2021</u>	
Building Improvements	32,800
Road Improvements	-
Water System Improvements	
Vehicles and Other Equipment	-
Adjustments: Due to Depreciation	(135,496)
Capital Assets as of September 30, 2021, Net of Depreciation	<u>\$1,030,603</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, 2021.

	<u>Balance</u>
Long-term Debt as of September 30, 2020	\$637,097
<u>Activity during Fiscal Year Ending September 30, 2021</u>	
Payment Time Warrants – series 2008	(18,084)
Payment Time Warrants – series 2008	(2,595)
Payment Time Warrants – series 2011	(31,604)
Payments to Car Notes	(5,168)
Payments to Capital Lease	-
Payments/Issue of New Debt Truck Notes	-
Long-term Debt as of September 30, 2021	<u>\$579,646</u>

City of Valley View
Management's Discussion and Analysis (Continued)
For the Year Ending September 30, 2021

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, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 499,492	\$ 87,692	\$ 587,184
Receivables:			-
Accounts	-	6,257	6,257
Property Tax	5,470	-	5,470
Interfund Receivables (Payables), Net	(156,687)	156,687	-
Total Current Assets	348,275	250,636	598,911
Capital Assets			
Non-Depreciable	21,500	6,000	27,500
Depreciable, Net	239,993	789,914	1,029,907
Total Capital Assets	261,493	795,914	1,057,407
Total Assets	609,768	1,046,550	1,656,318
Deferred Outflow of Resources			
Deferred Outflow of Resources	-	-	-
Total Deferred Outflow of Resources	-	-	-
Liabilities			
Current Liabilities			
Accounts Payable	19,159	-	19,159
Customer Deposits	-	8,893	8,893
Current Portion of Long-term Debt	5,658	49,600	55,258
Total Current Liabilities	24,817	58,493	83,310
Long-term Debt, net of current portion	20,493	503,895	524,388
Total Liabilities	45,310	562,388	607,698
Deferred Inflow of Resources			
Deferred Inflow of Resources	5,470	-	5,470
Total Deferred Inflow of Resources			
Net Position			
Invested in Capital Assets, Net of Related Debt	235,342	242,418	477,760
Unrestricted	323,646	241,744	565,390
Total Net Position	\$ 558,988	\$ 484,162	\$ 1,043,150

The accompanying notes are an integral part of these financial statements

City of Valley View

Statement of Activities
For Year Ended September 30, 2021

Function/Program Activities	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	\$	(161,593)	\$	(122,169)	\$	(122,169)
Municipal Court	(56,055)	-	-	18,042	-	18,042
Police	(320,740)	48,322	-	(267,405)	-	(267,405)
Parks and Rec	(1,767)	-	-	(1,767)	-	(1,767)
Maintenance	(57,927)	-	-	(47,487)	-	(47,487)
Debt Service	(1,687)	-	-	(1,687)	-	(1,687)
Total Governmental Activities	(599,769)	48,322	-	(422,473)	-	(422,473)
Business-type Activities						
Water and Sewer Fund	(363,360)	-	-	-	104,582	104,582
Total Business-type Activities	(363,360)	-	-	-	104,582	104,582
Total Primary Government	(963,129)	48,322	-	(422,473)	104,582	(317,891)
General Revenues						
Property Tax				120,859	-	120,859
Franchise Fees				50,139	-	50,139
Sales Tax				282,123	-	282,123
Hotel Motel Tax				15,287	-	15,287
Miscellaneous				34,230	-	34,230
Total General Revenues				502,638	-	502,638
Transfers				-	-	-
Change in Net Position				80,165	104,582	184,747
Net Position- Beginning				478,823	379,580	858,403
Net Position- Ending				\$ 558,988	\$ 484,162	\$ 1,043,150

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, 2021

	General Fund	Total Non-major Funds	Total
Assets			
Cash and Cash Equivalents	495,723	3,769	499,492
Property Tax Receivable	5,470		5,470
Interfund	-	-	-
Total Assets	501,193	3,769	504,962
Deferred Outflow of Resources			
Deferred Outflow of Resources			
Total Deferred Outflow of Resources	-	-	-
Liabilities			
Accounts Payable	19,159		19,159
Interfund Payable	156,687		156,687
Total Liabilities	175,846	-	175,846
Deferred Inflow of Resources			
Deferred Inflow of Resources	5,470		5,470
Total Deferred Inflow of Resources	5,470	-	5,470
Fund Balances			
Assigned		89,040	89,040
Unassigned	200,870		200,870
Total Fund Balances	200,870	89,040	289,910

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, 2021

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

Total Fund Balance - Total Governmental Funds	\$	289,910
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		261,493
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.		(7,763)
Receivable assets not available to pay for current period expenditures and, therefore, are deferred in the funds.		15,348
Net Position of Governmental Activities	\$	<u>558,988</u>

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
For Year Ended September 30, 2021

	General Fund	Total Non- major Funds	Total
Revenue			
Property Tax	\$ 120,859	\$ -	\$ 120,859
Franchise Fees	50,139	-	50,139
Sales Tax	279,225	-	279,225
Hotel Motel Tax	15,287	-	15,287
Mixed Beverage Tax	2,898	-	2,898
Permits and Inspections	28,984	-	28,984
Grants	48,322	-	48,322
Building Fund	10,440	-	10,440
Municipal Court Fines	74,097	-	74,097
Miscellaneous	11,288	692	11,980
Impound Fees	53,335	-	53,335
Total Revenue	694,874	692	695,566
Expenditures			
Current:			
General Government	161,593	-	161,593
Municipal Court	56,055	-	56,055
Police	320,740	-	320,740
Recreation and Park Services	1,767	-	1,767
Maintenance	57,927	-	57,927
Debt Service	1,687	-	1,687
Capital Outlay	-	-	-
Total Expenditures	599,770	-	599,770
Excess (Deficiency) of Revenues over Expenditures	95,105	692	95,797
Other Financing Sources (Uses)			
Transfers from (to) Other Funds, Net	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	95,105	692	95,797
Fund Balance- Beginning	105,765	88,348	194,113
Fund Balance- Ending	\$ 200,870	\$ 89,040	\$ 289,910

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, 2021

Reconciliation of the Government Funds Statement of Activities

Net Change in Fund Balances - Total Governmental Funds	\$	95,797
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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.		(13,339)
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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.		5,470
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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.		(7,763)
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Issuance of Long-term Debts are recorded as increases in Other Financing Sources		-
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Change in Net Position of governmental activities	\$	80,165
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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, 2021

Assets

Current Assets

Cash and Cash Equivalents	\$	87,692.00
Accounts Receivable		6,257
Interfund Receivable		156,687
Total Current Assets		<u>250,636</u>

Capital Assets

Land		6,000
Buildings and Facilities, Net		757,121
Furniture, Fixtures and Equipment, Net		32,793
Total Capital Assets		<u>795,914</u>

Total Assets		<u><u>1,046,550</u></u>
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Deferred Outflows		<u>-</u>
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Liabilities

Current Liabilities

Accounts Payable		-
Customer Deposits		8,892
Current Portion of Long-term Debt		49,600
Total Current Liabilities		<u>58,492</u>

Long-term Debt, Net of Current Portion		<u>503,895</u>
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Total Liabilities		<u><u>562,387</u></u>
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Deferred Inflows		<u>-</u>
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Net Position

Invested in Capital Assets, Net of Related Debt		242,419
Unrestricted		<u>241,744</u>

Total Net Position	\$	<u><u>484,163</u></u>
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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, 2021

Operating Revenues

Water and Sewer Sales	\$ 467,942
Total Operating Revenue	467,942

Operating Expenses

Miscellaneous Expense	3,233
Office Expense	11,405
Utilities	31,192
Repairs and Maintenance	20,270
Sanitation	64,278
Professional Fees	35,483
Contract Labor	66,000
Water Fees	27,493
Depreciation	78,364
Total Operating Expenses	337,719

Operating Income (Loss)	130,224
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Non-operating Revenues (Expenses)

Interest Expense	(25,641)
Total Non-operating Revenues (Expenses)	(25,641)

Transfers from (to) Other Funds	-
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Change in Net Position	104,583
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Total Net Position- Beginning	379,580
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Total Net Position- Ending	\$ 484,163
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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, 2021

Cash Flows from Operating Activities	
Receipts from Customers	\$ 467,942
Payments to Suppliers of Goods and Services	(272,121)
Net Cash Flows from Operating Activities	<u>195,821</u>
Cash Flows from Non-Capital Financing Activities	
Transfers From (To) Other Funds	-
Net Cash Flows from Non-Capital Financing Activities	<u>-</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Fixed Assets	(32,800)
Principal Payments on Debt	(49,688)
Interest Payments on Debt	(25,641)
Net Cash Flows from Capital and Related Financing Activities	<u>(108,129)</u>
Cash Flows from Investing Activities	-
Net Increase in Cash and Cash Equivalents	<u>87,692</u>
Cash and Cash Equivalents - Beginning	-
Cash and Cash Equivalents - Ending	<u><u>\$ 87,692</u></u>
Reconciliation of Total Cash to the Statement of Net Position	
Unrestricted Cash and Cash Equivalents	\$ -
Restricted Cash and Cash Equivalents	-
Total Cash and Cash Equivalents	<u><u>\$ -</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities	
Operating Income (Loss)	\$ 104,583
Reconciliation Adjustments:	
Increase in receivables	16,221
Increase in payables	(3,347)
Depreciation	78,364
Total Reconciliation Adjustments	<u>91,238</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 195,821</u>

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, 2021

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, 2021 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, 2021

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, 2021

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, 2021

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 1st on the assessed value listed as of the prior January 1st 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 1st and become delinquent by January 1st following the October 1st 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, 2021

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, 2021, the City had a combined balance of \$587,184. 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, 2021.

Capital Assets of Governmental Activities				
	Balance at 9/30/2020	Activity, FY 2021		Balance at 9/30/2021
		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	509,994	57,132	-	567,126
Net Depreciable Capital Assets	297,125	(57,132)	-	239,993
Net Capital Assets of Governmental Activities	\$318,624	(\$57,132)	-	\$261,492

Capital Assets of Enterprise Activities

	Balance at 9/30/2020	Activity, FY 2021		Balance at 9/30/2021
		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	32,800	-	1,430,004
Furniture and Equipment	86,246	-	-	86,246
Total Depreciable Capital Assets	1,483,450	32,800	-	1,516,250
Accumulated Depreciation	(647,978)	(78,364)	-	(726,342)
Net Depreciable Capital Assets	835,472	(45,564)	-	789,914
Net Capital Assets of Governmental Activities	\$847,475	\$(45,564)	-	\$795,914

Significant Additions

During the 2021 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, 2021 were applied to the following:

Function/Program	FY 2021		FY 2020	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
General Governmental	\$ 57,132	\$ -	\$ 57,132	\$ -
Water and Sewer Fund	-	78,364	-	75,383
Total	\$ 57,132	\$ 78,364	\$ 57,132	\$ 75,383

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, 2021, \$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, 2021

NOTE E – LONG-TERM DEBT

Activity

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

Changes and Balances of Long-term Debt					
	Balance at	FY 2021 Changes		Balance at	Amount due
	9/30/2020	Additions	Retirements	9/30/2021	by 09/30/22
Governmental Activities					
First State Bank					
Warrants 2008 series, Government Portion	25,528	-	2,595	22,933	2,440
Government Capital					
Trucks, Police & General Govt	8,386	-	5,168	3,218	3,218
<i>Total Governmental Activities</i>	33,914	-	7,763	26,151	5,658
Business-Type Activities					
First State Bank					
Warrants 2008 series, Enterprise Portion	177,952	-	18,084	159,868	18,000
Warrants 2011, series, Enterprise Portion	425,231	-	31,604	393,627	31,600
<i>Total Business-Type Activities</i>	603,183	-	49,688	553,495	49,600
<i>Total Government-Wide</i>	\$637,097	-	\$ 57,451	\$579,646	\$ 55,258

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, 2021

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
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	26,151	8,209	34,360	553,495	180,130	735,813

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, 2021, that would require adjustments to, disclosure in, these financial statements.

City of Valley View

Balance Sheet - Governmental Non-major Funds

As of September 30, 2021

	Officer Training Fund	Court Security Fund	FEMA Grant	Court Technology Fund	Total Non-major Funds
Assets					
Cash and Cash Equivalents	\$ 3,769	\$ -	\$ -	\$ -	\$ 3,769
Interfund Receivable	-	29,417	15,048	40,806	85,271
Total Assets	3,769	29,417	15,048	40,806	89,040
Deferred Outflow of Resources	-	-	-	-	-
Liabilities	-	-	-	-	-
Deferred Inflow of Resources	-	-	-	-	-
Fund Balances					
Assigned	3,769	29,417	15,048	40,806	89,040
Total Fund Balances	\$ 3,769	\$ 29,417	\$ 15,048	\$ 40,806	\$ 89,040

City of Valley View

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

Non-Major Funds

As of September 30, 2021

	Officer Training Fund	Court Security Fund	FEMA Grant	Court Technology Fund	Total Non-major Funds
Revenue					
Municipal Court Fines	-	-	-	-	-
Officer Training	692	-	-	-	692
Grants	-	-	-	-	-
Total Revenue	692	-	-	-	692
Expenditures					
Current:	-	-	-	-	-
General Government	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	692	-	-	-	692
Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	692	-	-	-	692
Fund Balance - Beginning	3,077	29,417	15,048	40,806	88,348
Fund Balance - Ending	\$ 3,769	\$ 29,417	\$ 15,048	\$ 40,806	\$ 89,040

City of Valley View

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
As of September 30, 2021

	<u>Budgeted</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous Revenues	13,590	13,590	13,388	(202)
Resource Officer	52,714	52,714	48,322	(4,392)
Impound Fees	53,500	53,500	53,335	(165)
Water Sales	417,575	417,575	435,763	18,188
Franchise Fee Revenue	53,000	53,000	50,139	(2,861)
Sales Tax Revenue	294,740	294,740	297,410	2,670
Municipal Court Revenues	72,000	72,000	74,097	2,097
Property Tax Revenue	120,700	120,700	120,859	159
Permits	35,000	35,000	37,324	2,324
Total Revenues	1,112,819	1,112,819	1,130,637	17,818
Expenditures				
Personnel Costs	324,836	324,836	291,188	33,648
Miscellaneous Expense	9,900	9,900	9,195	705
Supplies	8,300	8,300	7,274	1,026
Utilities	24,320	24,320	21,173	3,147
Office Expense	22,249	22,249	19,775	2,474
Professional Fees	154,550	154,550	189,798	(35,248)
Insurance	21,000	21,000	18,014	2,986
Depreciation	80,000	80,000	78,364	1,636
Repairs and Maintenance	81,875	81,875	29,813	52,062
Water/Sewer Expenses	241,056	241,056	262,697	(21,641)
Police/Court Fees	67,882	67,882	63,106	4,776
State Court Fees	22,500	22,500	24,398	(1,898)
Total Expenditures	1,058,468	1,058,468	1,014,794	43,674
Excess (Deficiency) of Revenues over Expenditures	54,351	54,351	115,843	(25,856)
Other Financing Sources (Uses)				
Interest Expense	30,000	30,000	28,680	1,320
Net Change in Fund Balances	84,351	84,351	144,523	(24,536)