

CITY OF VALLEY VIEW, TEXAS

Basic Financial Statements

And

Independent Auditor's Report

**For the Fiscal Year Ended
September 30, 2022**

**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, 2022, 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, 2022, 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 & Associates, P.C.

Haynes and Associates, P.C.
Roanoke, TX
April 10, 2024

City of Valley View

Management's Discussion and Analysis

For the Year Ending September 30, 2022

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, 2022. 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 2022 by \$1,229,952 net position. Of these amounts \$399,823 and \$316,535 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 \$186,801 for the fiscal year 2022.
- As of the close of the 2022 fiscal year, the City's governmental funds reported combined ending fund balances of \$444,493, an increase of \$138,885.
- The City's net indebtedness decreased by \$58,455 (11.21%), during the fiscal year 2022.

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, 2022

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 \$1,229,952 as of September 30, 2022.

City of Valley View
Management's Discussion and Analysis (Continued)
For the Year Ending September 30, 2022

	Governmental		Business-type		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current Assets	\$404,580	348,275	\$325,427	\$250,636	\$730,007	\$366,094
Capital Assets	267,068	261,493	767,717	795,914	1,034,785	1,160,099
Other Assets	-	-	-	-	-	-
Total Assets	671,648	609,768	1,093,144	1,046,550	1,764,792	1,526,193
Deferred Outflow of Recourses	-	-	-	-	-	-
Liabilities						
Current Liabilities	3,551	24,817	58,492	58,493	62,043	83,310
Long-term Liabilities	17,722	20,493	451,429	503,895	469,151	524,388
Total Liabilities	21,273	45,310	509,721	662,388	531,194	607,698
Deferred Inflow of Resources	3,646	5,470	-	-	3,646	5,470
Net Position						
Invested in Capital Assets, Net of Related Debt	246,906	235,342	266,688	242,418	513,594	477,760
Restricted New Assets	-	-	-	-	-	-
Unrestricted Net Assets	399,823	323,646	316,535	241,744	716,358	565,390
Total Net Position	646,729	558,988	583,223	484,162	1,229,952	1,043,150

The Largest portion of the City's net position (58.24% as of September 30, 2022) reflects its unrestricted net assets.

City of Valley View

Management's Discussion and Analysis (Continued)

For the Year Ending September 30, 2022

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, 2022 with comparable information from the year ending September 30, 2021.

	Governmental		Business-Type		Total	
	2022	2021	2022	2021	2022	2021
Program Revenues						
Charges for Services						
Court Fines	57,919	74,097	-	-	57,919	74,097
Permits and Fees	169,323	39,424	-	-	169,323	39,424
Impound Fees	6,320	53,335			6,320	53,335
Water and Sewer Fees	-	-	429,807	467,942	429,807	467,942
Operating Grants	157,610	48,322			157,610	48,322
Building Fund	8,425	10,440	-	-	8,425	10,440
Total Program Revenue	399,597	225,618	429,807	467,942	829,404	693,560
General Revenue						
Property Tax	131,661	120,859	-	-	131,661	120,859
Sales Tax	297,797	282,123	-	-	297,797	282,123
Franchise Fees,,	53,410	50,139	-	-	53,410	50,139
Hotel Motel Tax	15,870	15,287			15,870	15,287
Other General Revenues	12,654	34,230	-	-	12,654	34,230
Total General Revenues	511,382	502,638	-	-	511,382	502,638
Total Revenue	910,979	728,256	429,807	467,942	1,196,198	1,196,198
Program Expenses						
General Government	823,238	599,769			744,853	599,769
Water and Sewer	-	-	330,747	363,360	330,747	363,360
Total Program Expenses	823,238	599,769	330,747	363,360	1,075,600	963,129
Changes in Net Position, before Transfers	87,741	80,165	99,060	104,582	186,801	233,069
Transfers, Net	0	0	0	0	0	0
Changes in Net Position, after Transfers	87,741	80,165	99,060	104,582	186,801	233,069
Net Position, Beginning	558,988	470,015	484,163	379,581	1,043,151	379,311
Net Position, Ending	646,729	558,988	583,223	484,163	1,229,952	1,043,151

City of Valley View

Management's Discussion and Analysis (Continued)

For the Year Ending September 30, 2022

Capital Assets

At the end of the fiscal year 2022, the City had \$1,034,785 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, 2022:

Capital Assets as of September 30, 2021, Net of Depreciation	\$ 1,057,406
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Activity during Fiscal Year Ending September 30, 2022

Building Improvements	-
Road Improvements	-
Water System Improvements	55,741
Vehicles and Other Equipment	78,385
Adjustments: Due to Depreciation	(156,747)

Capital Assets as of September 30, 2022, Net of Depreciation	<u>\$1,034,785</u>
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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, 2022

	<u>Balance</u>
Long-term Debt as of September 30, 2021	\$579,646

Activity during Fiscal Year Ending September 30, 2022

Payment Time Warrants – series 2008	(19,148)
Payment Time Warrants – series 2008	(2,771)
Payment Time Warrants – series 2011	(33,318)
Payments to Car Notes	(3,218)
Payments to Capital Lease	-
Payments/Issue of New Debt Truck Notes	-

Long-term Debt as of September 30, 2022	<u>\$521,191</u>
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City of Valley View

Management's Discussion and Analysis (Continued)

For the Year Ending September 30, 2022

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, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 480,317	\$ 197,160	\$ 677,477
Receivables:			-
Accounts		48,884	48,884
Property Tax	3,646		3,646
Interfund Receivables (Payables), Net	(79,383)	79,383	-
Total Current Assets	404,580	325,427	730,007
Capital Assets			
Non-Depreciable	21,500	6,000	27,500
Depreciable, Net	245,568	761,717	1,007,285
Total Capital Assets	267,068	767,717	1,034,785
Total Assets	671,648	1,093,144	1,764,792
Deferred Outflow of Resources			
Deferred Outflow of Resources			-
Total Deferred Outflow of Resources			
Liabilities			
Current Liabilities			
Accounts Payable	1,111	-	1,111
Customer Deposits		8,892	8,892
Current Portion of Long-term Debt	2,440	49,600	52,040
Total Current Liabilities	3,551	58,492	62,043
Long-term Debt, net of current portion	17,722	451,429	469,151
Total Liabilities	21,273	451,429	531,194
Deferred Inflow of Resources			
Deferred Inflow of Resources	3,646		3,646
Total Deferred Inflow of Resources			
Net Position			
Invested in Capital Assets, Net of Related Debt	246,906	266,688	513,594
Unrestricted	399,823	316,535	716,358
Total Net Position	\$ 646,729	\$ 583,223	\$ 1,229,952

The accompanying notes are an integral part of these financial statements

City of Valley View

Statement of Activities

For Year Ended September 30, 2022

Function/Program Activities	Program Revenues			Net (Expenses)/Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$	\$	\$	\$	\$	\$	\$
Municipal Court	(312,910)	169,323	104,896	-	(38,691)	-	(38,691)
Police	(63,510)	57,919	-	-	(5,591)	-	(5,591)
Parks and Rec	(288,308)	6,320	52,714	-	(229,274)	-	(229,274)
Maintenance	(2,809)	-	-	-	(2,809)	-	(2,809)
Debt Service	(155,701)	8,425	-	-	(147,276)	-	(147,276)
Total Governmental Activities	(823,238)	241,987	157,610	-	(423,641)	-	(423,641)
Business-type Activities							
Water and Sewer Fund	(330,747)	429,807	-	-	99,060	99,060	104,582
Total Business-type Activities	(330,747)	429,807	-	-	99,060	99,060	104,582
Total Primary Government	(1,153,985)	671,794	157,610	-	(423,641)	99,060	(320,746)
General Revenues							
Property Tax					131,661		131,661
Franchise Fees					53,410		53,410
Sales Tax					297,787		297,787
Hotel Motel Tax					15,870		15,870
Miscellaneous					12,654		12,654
Total General Revenues					511,382	-	511,382
Transfers					-	-	-
Change in Net Position					87,741	99,060	186,801
Net Position- Beginning					558,988	484,163	1,043,151
Net Position- Ending					\$ 646,729	\$ 583,223	\$ 1,229,952

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, 2022

	General Fund	Total Non- major Funds	Total
Assets			
Cash and Cash Equivalents	477,159	3,158	480,317
Property Tax Receivable	3,646		3,646
Interfund	79,383	85,271	164,654
Total Assets	560,188	88,429	648,617
Deferred Outflow of Resources			
Deferred Outflow of Resources			
Total Deferred Outflow of Resources	-	-	
Liabilities			
Accounts Payable	35,824		35,824
Interfund Payable	85,271		85,271
Total Liabilities	121,095	-	121,095
Deferred Inflow of Resources			
Deferred Inflow of Resources	3,646		3,646
Total Deferred Inflow of Resources	3,646	-	3,646
Fund Balances			
Assigned		88,429	88,429
Unassigned	356,064		356,064
Total Fund Balances	356,064	88,429	444,493

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, 2022

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

Total Fund Balance - Total Governmental Funds	\$	444,493
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		267,068
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.		(20,162)
Receivable assets not available to pay for current period expenditures and, therefore, are deferred in the funds.		(44,670)
Net Position of Governmental Activities	\$	<u>646,729</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, 2022

	General Fund	Total Non- major Funds	Total
Revenue			
Property Tax	\$ 131,661		\$ 131,661
Franchise Fees	53,410		53,410
Sales Tax	294,840		294,840
Hotel Motel Tax	15,870		15,870
Mixed Beverage Tax	2,947		2,947
Permits and Inspections	169,323		169,323
Grants	52,714		52,714
Building Fund	8,425		8,425
Municipal Court Fines	57,919		57,919
Covid Funding	104,896		104,896
Miscellaneous	12,617	37	12,654
Impound Fees	6,320		6,320
Total Revenue	910,942	37	910,979
Expenditures			
Current:			
General Government	255,130	648	255,778
Municipal Court	63,510		63,510
Police	288,308		288,308
Recreation and Park Services	2,809		2,809
Maintenance	77,316		77,316
Debt Service	5,989		5,989
Capital Outlay	78,385		78,385
Total Expenditures	771,446	648	772,094
Excess (Deficiency) of Revenues over Expenditures	139,496	(611)	138,885
Other Financing Sources (Uses)			
Transfers from (to) Other Funds, Net	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	139,496	(611)	138,885
Fund Balance- Beginning	216,568	89,040	305,608
Fund Balance- Ending	\$ 356,064	\$ 88,429	\$ 444,493

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, 2022

Reconciliation of the Government Funds Statement of Activities

Net Change in Fund Balances - Total Governmental Funds	\$	138,885
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.		(48,801)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		3,646
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.		(5,989)
Issuance of long-term debts are recorded as increases in Other Financing Sources.		-
Change in Net Position of governmental activities	\$	87,741

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, 2022

Assets

Current Assets

Cash and Cash Equivalents	\$	197,160
Accounts Receivable		48,884
Interfund Receivable		79,383
Total Current Assets		325,427

Capital Assets

Land		6,000
Buildings and Facilities, Net		734,691
Furniture, Fixtures and Equipment, Net		27,026
Total Capital Assets		767,717

Total Assets		1,093,144
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Deferred Outflows		-
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Liabilities

Current Liabilities

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

Long-term Debt, Net of Current Portion		451,429
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Total Liabilities		509,921
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Deferred Inflows		-
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Net Position

Invested in Capital Assets, Net of Related Debt		266,688
Unrestricted		316,535

Total Net Position	\$	583,223
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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, 2022

Operating Revenues

Water and Sewer Sales	\$	429,807
Total Operating Revenue		<u>429,807</u>

Operating Expenses

Miscellaneous Expense		1,580
Office Expense		5,587
Utilities		29,148
Repairs and Maintenance		24,357
Sanitation		67,442
Professional Fees		8,441
Contract Labor		-
Testing and supplies		22,339
Water Fees		66,000
Depreciation		83,938
Total Operating Expenses		<u>308,832</u>

Operating Income (Loss)		<u>120,975</u>
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Non-operating Revenues (Expenses)

Interest Expense		(21,915)
Total Non-operating Revenues (Expenses)		<u>(21,915)</u>

Transfers from (to) Other Funds		-
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Change in Net Position		<u>99,060</u>
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Total Net Position- Beginning		484,163
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Total Net Position- Ending	\$	<u>583,223</u>
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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, 2022

Cash Flows from Operating Activities	
Receipts from Customers	\$ 429,807
Payments to Suppliers of Goods and Services	(224,894)
Net Cash Flows from Operating Activities	<u>204,913</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	(21,064)
Principal Payments on Debt	(52,466)
Interest Payments on Debt	(21,915)
Net Cash Flows from Capital and Related Financing Activities	<u>(95,445)</u>
Cash Flows from Investing Activities	-
Net Increase in Cash and Cash Equivalents	<u>109,468</u>
Cash and Cash Equivalents - Beginning	87,692
Cash and Cash Equivalents - Ending	<u><u>\$ 197,160</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)	\$ 99,060
Reconciliation Adjustments:	
Increase in receivables	3,465
Increase in payables	18,450
Depreciation	83,938
Total Reconciliation Adjustments	<u>105,853</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 204,913</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, 2022

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, 2022 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, 2022

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 proprietary 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, 2022

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, 2022

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 restriction 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, 2022

NOTE B – CASH AND CASH EQUIVALENTS

Deposits

The City's deposits are protected by two layers of assurance. First, bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per deposit class per bank. Secondly, any excess uninsured deposits are covered by qualified pledged securities held by the depository bank. The highest combined balance of \$713,663 occurred on April 8, 2022. These balances have \$250,000 of FDIC coverage, the excess uninsured balance is protected by qualified pledged securities at that date of \$807,979.

As of September 30, 2022, the City had a combined balance of \$598,094 of which \$250,000 is insured by FDIC and the excess balance is covered by qualified pledged securities totaling \$807,979. Out of those combined balances, all are protected by the FDIC insurance and the pledged securities.

NOTE C – PROPERTY AND EQUIPMENT

Activity

The following is a summary of the changes in capital assets for the year ending September 30, 2022.

Capital Assets of Governmental Activities

	Balance at 9/30/2021	Activity, FY 2022		Balance at 9/30/2022
		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	78,385	-	382,921
Land Improvements	359,738	-	-	359,738
Total Depreciable Capital Assets	807,118	78,385	-	885,503
Accumulated Depreciation	567,126	72,809	-	639,935
Net Depreciable Capital Assets	239,993	5,576	-	245,568
Net Capital Assets of Governmental Activities	\$261,492	\$5,576	-	\$267,068

Capital Assets of Enterprise Activities

	Balance at 9/30/2021	Activity, FY 2022		Balance at 9/30/2022
		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	1,430,004	55,741	-	1,485,745
Furniture and Equipment	86,246	-	-	86,246
Total Depreciable Capital Assets	1,483,450	55,741	-	1,571,991
Accumulated Depreciation	(726,342)	(83,938)	-	(810,280)
Net Depreciable Capital Assets	789,914	(28,197)	-	761,711
Net Capital Assets of Governmental Activities	\$795,914	\$(28,197)	-	\$767,717

Significant Additions

During the 2022 fiscal year, the City invested into improving the City's infrastructure through road improvements and water system improvements as well as police vehicles.

Depreciation

Additions to accumulated depreciation for the year ended September 30, 2022 were applied to the following:

Function/Program	FY 2022		FY 2021	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
General Governmental	\$ 72,809	\$ -	\$ 57,132	\$ -
Water and Sewer Fund	-	83,938	-	75,364
Total	\$ 72,809	\$ 83,938	\$ 57,132	\$ 75,364

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, 2022, \$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, 2022

NOTE E – LONG-TERM DEBT

Activity

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

Changes and Balances of Long-term Debt					
	Balance at 9/30/2021	FY 2022 Changes		Balance at 9/30/2022	Amount due by 09/30/23
		Additions	Retirements		
Governmental Activities					
First State Bank					
Warrants 2008 series, Government Portion	22,933	-	2,771	20,162	2,440
Government Capital					
Trucks, Police & General Govt	3,218	-	3,218	-	-
<i>Total Governmental Activities</i>	26,151	-	5,989	20,162	2,440
Business-Type Activities					
First State Bank					
Warrants 2008 series, Enterprise Portion	159,868	-	19,148	140,720	18,000
Warrants 2011, series, Enterprise Portion	393,627	-	33,318	360,309	31,600
<i>Total Business-Type Activities</i>	553,495	-	52,466	501,029	49,600
<i>Total Government-Wide</i>	\$579,646	-	\$ 57,451	\$521,191	\$ 52,040

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, 2022

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
2023-2027	11,308	4,416	15,724	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	108,158	12,924	121,082
Total	20,162	5,614	33,380	501,029	157,642	658,671

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 H – COMMITMENTS AND CONTINGENCIES LIABILITIES

Grants – The City has a very small State Resource Officer Grant it receives each year.

Litigation – The City has no pending litigation nor is there any contingent legal liability for any claims in the ordinary course of operations that, in the opinion of management, would have a material adverse effect on the combined financial statements.

Commitments – The City makes day to day commitments while delivering City services in the normal course of business, none of which merit disclosure in the financial statements. Any leases for the City are month to month operating leases, and none are considered to be capitalized in the financial statements.

NOTE – SUBSEQUENT EVENTS

There have been no events after September 30, 2022, that would require adjustments or disclosure in these financial statements.

City of Valley View

Balance Sheet - Governmental Non-major Funds

As of September 30, 2022

	Officer Training Fund	Court Security Fund	FEMA Grant	Court Technology Fund	Total Non-major Funds
Assets					
Cash and Cash Equivalents	\$ 3,158				\$ 3,158
Interfund Receivable		29,417	15,048	40,806	85,271
Total Assets	3,158	29,417		40,806	88,429
Deferred Outflow of Resources	-	-		-	-
Liabilities	-	-		-	-
Deferred Inflow of Resources	-	-		-	-
Fund Balances					
Assigned	3,158	29,417	15,048	40,806	88,429
Total Fund Balances	\$ 3,158	\$ 29,417	\$ 15,048	\$ 40,806	\$ 88,429

City of Valley View

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

Non-Major Funds

As of September 30, 2022

	Officer Training Fund	Court Security Fund	FEMA Grant	Court Technology Fund	Total Non-major Funds
Revenue					
Municipal Court Fines	-	-		-	-
Officer Training	37				37
Grants	-	-	-	-	-
Total Revenue	37	-	-	-	37
Expenditures					
Current:					
General Government	648			-	648
Total Expenditures	648	-	-	-	648
Excess (Deficiency) of Revenues over Expenditures	(611)	-	-	-	(611)
Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(611)	-	-	-	(611)
Fund Balance - Beginning	3,769	29,417	15,048	40,806	89,040
Fund Balance - Ending	\$ 3,158	\$ 29,417	\$ 15,048	\$ 40,806	\$ 88,429

City of Valley View

Statement of Revenues, Expenditures, and Changes in Fund Balances - All Funds - Budget to Actual
As of September 30, 2022

	<u>Budgeted</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous Revenues	20,860	20,860	12,654	(8,206)
Resource Officer	52,714	52,714	52,714	-
Impound Fees	6,000	6,000	6,320	320
Water Sales	413,180	413,180	429,807	16,627
Franchise Fee Revenue	59,000	59,000	53,410	(5,590)
Sales Tax Revenue	230,800	230,800	313,657	82,857
Municipal Court Revenues	51,000	51,000	57,919	6,919
Property Tax Revenue	130,734	130,734	131,661	927
Permits	60,200	60,200	169,323	109,123
Total Revenues	<u>1,024,488</u>	<u>1,024,488</u>	<u>1,227,465</u>	<u>202,977</u>
Expenditures				
Personnel Costs	351,552	351,552	316,970	34,582
Miscellaneous Expense	32,200	32,200	35,002	(2,802)
Supplies	15,500	15,500	12,265	3,235
Utilities	8,300	8,300	6,354	1,946
Office Expense	31,124	31,124	23,615	7,509
Professional Fees	73,050	73,050	146,745	(73,695)
Insurance	21,000	21,000	19,615	1,385
Depreciation	135,000	135,000	132,496	2,504
Repairs and Maintenance	57,475	57,475	32,571	24,904
Water/Sewer Expenses	248,880	248,880	246,809	2,071
Police/Court Fees	81,481	81,481	98,465	(16,984)
State Court Fees	22,500	22,500	26,055	(3,555)
Total Expenditures	<u>1,078,062</u>	<u>1,078,062</u>	<u>1,096,963</u>	<u>(18,901)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(53,574)</u>	<u>(53,574)</u>	<u>130,502</u>	<u>221,878</u>
Other Financing Sources (Uses)				
Interest Expense	30,000	30,000	21,915	8,085
Net Change in Fund Balances	<u>(23,574)</u>	<u>(23,574)</u>	<u>152,417</u>	<u>229,963</u>