

**CITY OF GRANDVIEW**

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**ANNUAL FINANCIAL AND COMPLIANCE REPORT**

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**YEAR ENDED SEPTEMBER 30, 2021**

CITY OF GRANDVIEW, TEXAS

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## **FINANCIAL SECTION**

# Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645  
Abilene, TX 79602

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Grandview, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grandview, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Grandview, Texas, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the required TMRS schedules on pages 3 through 9 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an

opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grandview, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2022, on our consideration of the City of Grandview's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**MERRITT, MCLANE & HAMBY, P.C.**

Abilene, Texas  
February 11, 2022

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



1100 McDuff Ave. / Post Office Box 425 Grandview, Texas 76050

Office: (817) 866-2699

Fax: (817) 866-2961

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Grandview's annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2021. This discussion and analysis should be read in conjunction with the City's financial statements.

### FINANCIAL HIGHLIGHTS

- The Assets and Deferred Outflows of the City of Grandview exceeded its Liabilities and Deferred Inflows at the close of the most recent fiscal year by \$10,336,142 (net position). The City's net position reflects an increase of \$1,669,434 from the previous year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,019,482. The unassigned fund balance for these funds is \$1,225,830 which is available for spending at the City's discretion.
- The City's Water and Sewer Proprietary Fund reported an unrestricted net position of \$885,817 of which all may be used at the City's discretion.
- Long-term debt decreased by \$119,672, due to repayment of existing debt.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City's finances as shown in Figure A-1:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on the *individual parts* of the government, reporting the City's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how general government services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government *operates like a business*.
- The financial statements also include notes to the financial statements explaining some of the information in the financial statements and provide more detailed data.
- The report also contains other supplementary information in addition to the basic financial statements themselves.

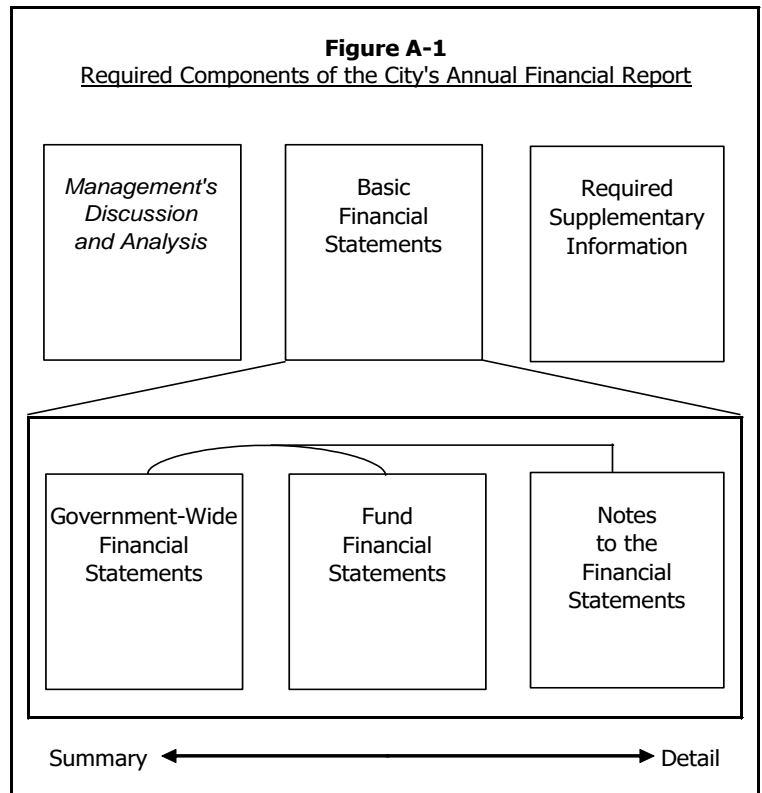


Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover, and the types of information they contain.

<b>Figure A-2 - Major Features of the City's Government-Wide and Fund Financial Statements</b>				
Type of Statements	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Entity's government (except fiduciary funds) and the Entity's component units	The activities of the City are not proprietary or fiduciary	Activities the City operates similar to private business	Instances in which the City is the trustee or agent for another's resources
Required Financial Statements	• Statement of Net Positions	• Balance Sheet	• Statement of Net Positions	• Statement of Fiduciary Net Positions
	• Statement of Activities	• Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Revenues, Expenses, and Changes in Net Positions • Statement of Cash Flows	• Statement of Changes in Fiduciary Net Positions
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources method	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term, the Agency's fund do not currently contain capital assets, although they may
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after year end; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The remainder of this overview explains the structure and contents of each of the statements.

### Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector businesses. The statement of net positions includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City’s *net position* and how they have changed. Net positions, the difference between the City’s assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, are one way to measure the City’s financial health.

- Over time, increases or decreases in the City’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you also need to consider additional non-financial factors such as changes in the City’s tax base and its infrastructure.

The government-wide financial statements of the City combine all of the City’s *governmental activities* and show how they are financed. The City’s basic services included in the governmental activities are general government, public safety, public works (i.e., streets), municipal court, code and animal services, economic development, and interest on long-term debt. Property taxes, sales taxes, fines, fees for services, and grants finance most of these services.

### Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant *funds* — not the City as a whole. Funds are accounting devices that the City uses to keep track of specific revenue sources and spending for particular purposes.

- Some funds are required by State law and bond covenants, such as the Debt Service Fund.
- Management establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenue resources, such as the Type A EDC Fund and Type B EDC Fund.



The City has two kinds of funds:

- Governmental funds — The City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because these funds do not encompass the additional long-term focus of the government-wide statements, additional information is provided following each fund statement that explains the relationship (or differences) between them.
- Proprietary funds (business-type funds) — Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds will always provide both long-term and short-term financial information at the government-wide and the fund level.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net positions:** The City’s combined net positions were \$10,336,142 at September 30, 2021. This amount reflects a \$1,669,434 increase from the previous 2020 year. (See Table A-1). See Table A-2 for details on the change in net position.

**Table A-1  
City's Net Position**

	Governmental Activities		Business-type Activities		Totals		Percentage Change
	2021	2020	2021	2020	2021	2020	
Current and Other Assets	3,217,279	2,299,167	946,896	863,228	4,164,175	3,162,395	31.68%
Capital and Non-Current Assets	4,015,074	3,405,717	4,399,114	4,567,985	8,414,188	7,973,702	5.52%
<b>Total Assets</b>	<b>7,232,353</b>	<b>5,704,884</b>	<b>5,346,010</b>	<b>5,431,213</b>	<b>12,578,363</b>	<b>11,136,097</b>	
<b>Deferred Outflows of Resources</b>	<b>80,464</b>	<b>51,240</b>	<b>18,300</b>	<b>11,711</b>	<b>98,764</b>	<b>62,951</b>	56.89%
Current Liabilities	247,232	375,749	169,645	170,813	416,877	546,562	-23.73%
Long Term Liabilities	544,085	393,551	1,277,306	1,428,280	1,821,391	1,821,831	-0.02%
<b>Total Liabilities</b>	<b>791,317</b>	<b>769,300</b>	<b>1,446,951</b>	<b>1,599,093</b>	<b>2,238,268</b>	<b>2,368,393</b>	
<b>Deferred Inflows of Resources</b>	<b>83,613</b>	<b>133,456</b>	<b>19,104</b>	<b>30,491</b>	<b>102,717</b>	<b>163,947</b>	-37.35%
Net Assets							
Investment in Capital Assets	3,391,830	2,678,039	3,012,438	3,000,209	6,404,268	5,678,248	12.79%
Restricted	1,467,816	1,102,837			1,467,816	1,102,837	33.09%
Unrestricted	1,578,241	1,072,492	885,817	813,131	2,464,058	1,885,623	30.68%
<b>Total Net Assets</b>	<b>\$ 6,437,887</b>	<b>\$ 4,853,368</b>	<b>\$ 3,898,255</b>	<b>\$ 3,813,340</b>	<b>\$ 10,336,142</b>	<b>\$ 8,666,708</b>	

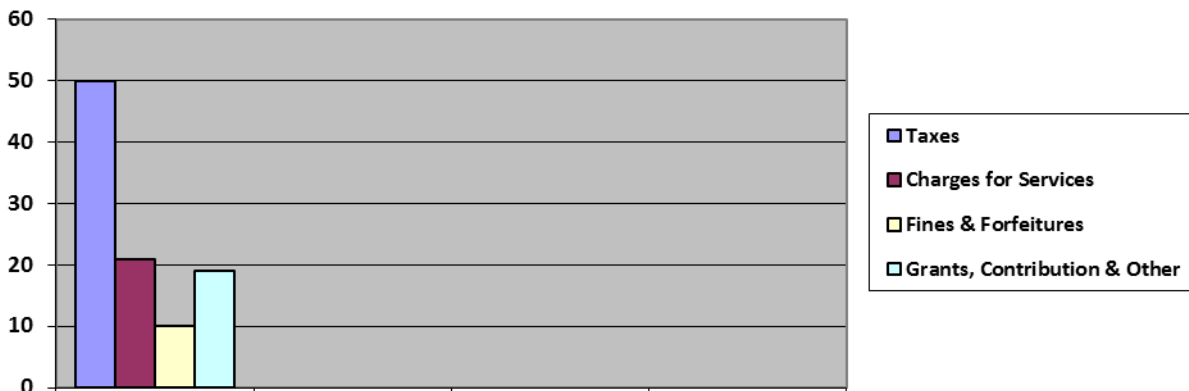
**Changes in net positions:** The City’s total revenues were \$4,680,342 and total expenses were \$3,010,908, resulting in an increase in net positions of \$1,669,434 (See Table A-2).

**Table A-2**  
**Changes in City's Net Position**

	Governmental		Business-type		Total		Total % Change
	Activities		Activities				
	2021	2020	2021	2020	2021	2020	
<b>Revenues</b>							
<u>Program Revenues</u>							
Charges for Services	\$ 119,767	\$ 50,257	\$ 878,088	\$ 835,763	\$ 997,855	\$ 886,020	12.62%
Capital Grants and Contributions	571,469	56,300			571,469	56,300	915.04%
<u>General Revenues</u>							
Taxes	2,353,703	1,982,926			2,353,703	1,982,926	18.70%
Fines and Forfeitures	471,816	535,910			471,816	535,910	-11.96%
Interest and penalties	3,080	49,938	849	5,399	3,929	55,337	-92.90%
Other income	143,891	159,587	137,679	16,463	281,570	176,050	59.94%
<b>Total Revenues</b>	<b>3,663,726</b>	<b>2,834,918</b>	<b>1,016,616</b>	<b>857,625</b>	<b>4,680,342</b>	<b>3,692,543</b>	
<b>Expenses</b>							
General Government	546,697	555,371			546,697	555,371	-1.56%
Public Safety	821,485	722,105			821,485	722,105	13.76%
Public Works	220,556	185,147			220,556	185,147	19.12%
Municipal Court	108,153	112,607			108,153	112,607	-3.96%
Animal Control Code Enforcement	42,472	34,940			42,472	34,940	21.56%
Economic Development	129,757	116,763			129,757	116,763	11.13%
Grant Expenditures		2,818				2,818	-100.00%
Interest and Fees	19,268	25,851			19,268	25,851	-25.47%
Water, Sewer, Sanitation			1,122,520	1,155,129	1,122,520	1,155,129	-2.82%
<b>Total Expenses</b>	<b>1,888,388</b>	<b>1,755,602</b>	<b>1,122,520</b>	<b>1,155,129</b>	<b>3,010,908</b>	<b>2,910,731</b>	
Excess before transfers and PPA	1,775,338	1,079,316	(105,904)	(297,504)	1,669,434	781,812	
Transfers	(190,819)	(293,532)	190,819	293,532			
Change in net position	1,584,519	785,784	84,915	(3,972)	1,669,434	781,812	
Net position - Beginning	4,853,368	4,041,917	3,813,340	3,775,382	8,666,708	7,817,299	10.87%
Prior period adjustment		25,667		41,930		67,597	-100.00%
Net Position - Beginning, as Restated	4,853,368	4,067,584	3,813,340	3,817,312	8,666,708	7,884,896	9.92%
Net Position - Ending	\$ 6,437,887	\$ 4,853,368	\$ 3,898,255	\$ 3,813,340	\$ 10,336,142	\$ 8,666,708	19.26%

The City's revenue is generated from Taxes (50 percent), Charges for Services (21 percent), Fines and Forfeitures (10 percent), and Grant contributions combined with all other sources (19 percent) – (See Figure A-3).

**Figure A-3**



## Governmental Activities

The City's governmental revenues when compared to the previous budget year provided an increase of \$876,801 or 24% with Sales Tax providing an increase of \$354,593 and Grants to the City increasing by \$515,169. The City's general fund departments, including administration, public safety, public works, code/animal control and municipal court expenses increased by only 9% due to practicing a conservative approach to spending. The City's largest expense increase was a 68% increase in Capital projects, which includes street improvements.

## Business-type Activities

Water, sewer and garbage revenues increased by 4% for this budget year. The City's water and sewer utility operating expenditures decreased by 2% due to improved practices for maintenance of both water wells and the wastewater treatment plant.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### General Fund Budgetary Highlights

Overall, budget-to-actual variance in the general fund when compared to the amended budget resulted in an increase to fund balance in the amount of \$490,495. The operating revenues provided increases in property taxes, sales taxes, fines & forfeitures, grants and licenses and permits. General Fund expenditures were also lower than the budgeted amounts thru the encouragement of the City Manager and City Council with the assistance of the employees working together to improve the City's financial picture.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of September 30, 2021, the City's net Capital Assets was \$8,342,550 in a broad range of capital assets, including land, equipment, buildings, streets and vehicles (See Table A-3). The 2021 additions were funded from the general fund and water and sewer fund. Detailed information about these additions is presented in the Notes to the Financial Statements.

**Table A-3**  
City's Capital Assets

	Governmental Activities		Business-type Activities		Total		Total % Change
	2021	2020	2021	2020	2021	2020	
Land & land improvements	\$ 331,152	\$ 285,438	\$ 4,500	\$ 4,500	\$ 335,652	\$ 289,938	15.77%
Construction in progress	449,532	83,800			449,532	83,800	100.00%
Buildings	782,554	782,554	14,010	14,010	796,564	796,564	0.00%
Capitalized equipment	133,642	133,642			133,642	133,642	0.00%
Vehicles and equipment	911,765	852,561	243,864	258,472	1,155,629	1,111,033	4.01%
Furniture and equipment	269,368	269,368	239,932	239,932	509,300	509,300	0.00%
Parks	910,446	910,446			910,446	910,446	0.00%
Infrastructure	2,529,738	2,119,673			2,529,738	2,119,673	19.35%
Water system			5,522,764	5,402,054	5,522,764	5,402,054	2.23%
Sewer system			5,041,535	5,016,877	5,041,535	5,016,877	0.49%
Total at historical cost	6,318,197	5,437,482	11,066,605	10,935,845	17,384,802	16,373,327	6.18%
Accumulated depreciation	2,361,438	2,221,130	6,680,814	6,411,122	9,042,252	8,632,252	4.75%
Net capital assets	\$ 3,956,759	\$ 3,216,352	\$ 4,385,791	\$ 4,524,723	\$ 8,342,550	\$ 7,741,075	7.77%

### Long-term Debt

At year-end, the City had \$1,355,000 in bonds outstanding, \$565,977 in notes payable, and \$0 in net pension liability as shown in Table A-4. More detailed information about the City's debt is presented in the Notes to the Financial Statements.

**Table A-4  
City's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Notes	\$ 547,705	\$ 513,808	\$ 18,272	26,841	565,977	540,649
Bonds	5,968	9,082	1,349,032	1,490,917	1,355,000	1,499,999
	<u>\$ 553,673</u>	<u>\$ 522,890</u>	<u>\$ 1,367,304</u>	<u>\$ 1,517,758</u>	<u>\$ 1,920,977</u>	<u>\$ 2,040,648</u>

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The Mayor and Grandview City Council have continued to make street maintenance and improvements to city infrastructure its top priorities.

The city contracted with SPI Asphalt, LLC to complete numerous street repairs in Grandview. Funds were expended in the 2020-2021 and 2021-2022 budgets to repair Fourth Street from McFarland to Zebra Parkway, South Circle, Main Street from Inez Hardy to Third, Hilltop, Pittman, Hopkins, First Avenue, Scurlock, McFarland, Wade, Oakland, part of Sixth Street, Fifth from Scurlock to McFarland and First Street from Criner to McFarland. The city plans to continue making large scale street repairs in fiscal year 2021-2022.

In July 2021, the city purchased a hot asphalt machine for \$30,000 to become more self-reliant with street repairs. The asphalt machine along with the drum roller and dump trailer previously purchased gives city crews the capability to make additional street repairs as needed and spend less money on contracted work.

The city applied for and was awarded a \$500,000 grant to fund upgrades to four (4) antiquated lift stations and add a SCADA system for the lift stations. The project was placed out for bid, but no acceptable bids were received. The project will be placed back out to bid in March 2022 and work should commence in 2022.

TxDOT has awarded a contract to repair Criner Street in the downtown area. The selected contractor will remove all the bricks from Criner Street, put down a new base and secure the bricks back down. The city has a water line underneath the roadway that feeds the Whitten Building and fire hydrants downtown. The city will be required to fund moving the water line and paying for the hydrants as part of the overall project. The city applied for a \$200,000 no interest/low interest State Infrastructure Bank loan to fund moving the water line and installing new fire hydrants and it was approved. Work on the project is expected to commence in the first quarter of 2022 and take approximately one year to complete.

The city applied for and received a downtown revitalization grant to provide a large lighted, concrete parking lot in the downtown area. The grant awarded \$350,000 of the project costs with a match for engineering to be paid by the Type B Economic Development Corporation. The project was completed and accepted by the city January 2022.

In 2020 the city applied for a \$225,000 park improvement grant through Texas Parks and Wildlife. The Type B Economic Development Corporation agreed to pay the 50% match (\$112,500) to complete the project. The city ranked in first place in the grant process for small communities. The project was awarded on May 27, 2021, and staff, grant administrators and city engineer have been working on the initial stages of the grant requirements since that date.

The city entered into a real estate contract with Windstream Communication in 2019 to purchase 6.14 acres of land adjacent to the current city hall for \$45,200. The title company completed extensive work on the title and in September 2021, the city purchased the property for future expansion of city operations.

In fiscal year 2020-2021, the city saw small-scale residential and commercial growth and development including several single-family homes built and commercial businesses opened. In addition, in August 2021, the Type A Economic Development Corporation sold two lots (0.219 acres) in the downtown area to an adjacent business owner. In September 2021, the Type A Economic Development Corporation awarded the bid/contract on 1.535 acres to a local veterinarian. These locations are expected to be used for commercial purposes.

In the last year, the city has seen an unprecedented number of commercial and residential developers interested in coming to Grandview. City staff members fielded countless inquiries about properties in the city limits and in the extra-territorial jurisdiction for future residential and mixed use developments. In August 2021, the city council approved a preliminary plat

for Vista Point, a residential development, consisting of 98.12 acres. In October 2021, the city council approved an ordinance annexing 56.60 acres of the development that was located in the extra-territorial jurisdiction. In January 2022, the city council approved the final plat for 38.343 acres of the development consisting of 128, single family residential lots. Construction on phase one has begun. City staff members have had meetings and conferences with numerous other developers who have contracts on land in Grandview. Many are still conducting their feasibility studies on the properties.

In 2020, the city council approved the land assumptions and capital improvements plan. In January 2021, they approved an ordinance adopting and imposing impact fees. Due to the growth and potential growth of the city, in November 2021 the city council took actions to engage the city engineer to update the capital improvement plans, add a water well, adjust the water impact fee, and create a sewer model for the city. In February 2022, the city council voted to receive qualifications to review and amend the current subdivision and zoning ordinances and associated fee schedule. The city has started to collect impact fees for new development and would expect those funds to grow exponentially with future development.

The \$375,000 Texas Capital Funds project for Lanson Metals' expansion was completed in January 2022. The work extended a 12" water line from Main Street to the project site and provided electric infrastructure for the 50,000 square foot manufacturing plant. The business location is now in operation.

The city applied for American Rescue Plan/Coronavirus Local Fiscal Recovery Funds and was awarded \$445,518. The city received the first tranche \$222,759 in 2021. The city should receive the second/final tranche in summer 2022. A majority of these funds will be spent on public infrastructure in accordance with federal guidelines.

In FY 2020-2021 sales tax revenue hit an all-time high of over 1.4 million dollars, which was up 23% over the previous year's record sales tax revenue. As of February 2022, the sales tax for FY 2021-2022 has increased 44% over last year for the same time period. The city expects sales tax revenue to continue to increase in FY 2021-2022. The additional revenue will help the city continue making substantial repairs to city streets and accomplishing other priorities.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF GRANDVIEW, TEXAS**

**STATEMENT OF NET POSITION**

SEPTEMBER 30, 2021

<b>ASSETS</b>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 1,166,038	\$ 432,939	\$ 1,598,977
Restricted assets			
Cash	329,881		329,881
Investments	1,137,935		1,137,935
Investments		301,691	301,691
Receivables:			
Property tax	25,788		25,788
Allowance for uncollectible tax	(8,827)		(8,827)
Sales tax	303,296		303,296
Court	40,031		40,031
Others	1,091		1,091
Grants	46,660		46,660
Accounts receivable, net		126,819	126,819
Inventory	5,928	85,447	91,375
Note receivable	169,458		169,458
Total current assets	3,217,279	946,896	4,164,175
Non-current Assets			
Net pension asset	58,315	13,323	71,638
Capital assets:			
Land	331,152	4,500	335,652
Construction in progress	449,532		449,532
Buildings, net	662,535	122	662,657
Capitalized equipment, net	6,396		6,396
Vehicles and equipment, net	246,833	76,080	322,913
Furniture and equipment, net	25,838	132,646	158,484
Parks, net	480,027		480,027
Infrastructure, net	1,754,446		1,754,446
Water system, net		2,512,419	2,512,419
Sewer system, net		1,660,024	1,660,024
Total non-current assets	4,015,074	4,399,114	8,414,188
Total Assets	7,232,353	5,346,010	12,578,363
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to TMRS pension	80,464	18,300	98,764
Total Deferred Outflows of Resources	80,464	18,300	98,764

*The accompanying notes are an integral part of this statement.*

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	123,196	11,664	134,860
Bank overdrafts	46,660		46,660
Accrued salaries		845	845
Accrued expenses	2,169		2,169
Unearned revenue	8,811		8,811
Accrued interest	11,256	6,049	17,305
Notes payable - current	52,285	8,941	61,226
Bonds payable - current	2,855	142,146	145,001
Total current liabilities	<u>247,232</u>	<u>169,645</u>	<u>416,877</u>
Non-current Liabilities			
Accrued compensated absences	45,552	2,455	48,007
Utility deposits		58,634	58,634
Notes payable - non current	495,420	9,331	504,751
Bonds and notes payable - non current	3,113	1,206,886	1,209,999
Total non-current liabilities	<u>544,085</u>	<u>1,277,306</u>	<u>1,821,391</u>
Total Liabilities	<u>791,317</u>	<u>1,446,951</u>	<u>2,238,268</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to TMRS	83,613	19,104	102,717
Total Deferred Outflows of Resources	<u>83,613</u>	<u>19,104</u>	<u>102,717</u>
<b>NET POSITION</b>			
Investment in capital assets	3,391,830	3,012,438	6,404,268
Restricted	1,467,816		1,467,816
Unrestricted	1,578,241	885,817	2,464,058
Total Net Position	<u>\$ 6,437,887</u>	<u>\$ 3,898,255</u>	<u>\$ 10,336,142</u>



**CITY OF GRANDVIEW, TEXAS**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating grants and Contributions</u>	<u>Capital grants and Contributions</u>
<b>Primary Government</b>				
Governmental Activities:				
General government	\$ 546,697	\$ 11,587		\$ 571,469
Public safety	821,485	53,560		
Public works	220,556	471,816		
Municipal court	108,153	54,620		
Code enforcement	42,472			
Economic development	129,757			
Debt service	19,268			
Total governmental activities	<u>1,888,388</u>	<u>591,583</u>		<u>571,469</u>
Business-type Activities:				
Utility fund	<u>1,122,520</u>	<u>878,088</u>		
Total business-type activities	<u>1,122,520</u>	<u>878,088</u>		
Total Primary Government	<u>\$ 3,010,908</u>	<u>\$ 1,469,671</u>	<u>\$</u>	<u>\$ 571,469</u>

General Revenues:

Taxes:

Property tax

Sales tax

Right of way fees

Investment earnings

Gain on disposal of assets

Insurance proceeds

Miscellaneous income

Transfers

Total General Revenues and Transfers

**Change in Net Position**

Net Position - Beginning

Net Position - Ending

*The accompanying notes are an integral part of this statement.*

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 36,359	\$	\$ 36,359
(767,925)		(767,925)
251,260		251,260
(53,533)		(53,533)
(42,472)		(42,472)
(129,757)		(129,757)
(19,268)		(19,268)
<u>(725,336)</u>	<u></u>	<u>(725,336)</u>
	(244,432)	(244,432)
	<u>(244,432)</u>	<u>(244,432)</u>
<u>(725,336)</u>	<u>(244,432)</u>	<u>(969,768)</u>
777,287		777,287
1,468,337		1,468,337
108,079		108,079
3,080	849	3,929
2,309	6,895	9,204
	107,523	107,523
141,582	23,261	164,843
(190,819)	190,819	
<u>2,309,855</u>	<u>329,347</u>	<u>2,639,202</u>
1,584,519	84,915	1,669,434
<u>4,853,368</u>	<u>3,813,340</u>	<u>8,666,708</u>
\$ <u>6,437,887</u>	\$ <u>3,898,255</u>	\$ <u>10,336,142</u>

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**CITY OF GRANDVIEW, TEXAS**

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Economic Development Corp - 4A</u>	<u>Economic Development Corp - 4B</u>	<u>Grant Fund</u>
<b>ASSETS</b>				
Current:				
Cash and cash equivalents	\$ 1,166,038	\$	\$	\$
Restricted assets				
Cash	472	35,021	2	
Investments		639,572	396,631	
Receivables:				
Property tax	15,238			
Allowance for uncollectible tax	(5,216)			
Sales tax	151,648	37,912	37,912	
Municipal court	40,031			
Others	1,091			
Grants				46,660
Note receivables		169,458		
Inventory	5,928			
Total Assets	<u>\$ 1,375,230</u>	<u>\$ 881,963</u>	<u>\$ 434,545</u>	<u>\$ 46,660</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 122,764	\$ 324	\$	\$
Bank overdraft				46,660
Accrued expenses	2,169			
Unearned revenue	8,591		220	
Total Liabilities	<u>133,524</u>	<u>324</u>	<u>220</u>	<u>46,660</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	10,022			
Total Deferred Inflows of Resources	<u>10,022</u>			
<b>FUND BALANCE</b>				
Non-spendable				
Inventory	5,928			
Restricted				
Court & state seizure	472			
Economic development		881,639	434,325	
Special court				
Debt service				
Unassigned	1,225,284			
Total Fund Balance	<u>1,231,684</u>	<u>881,639</u>	<u>434,325</u>	
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,375,230</u>	<u>\$ 881,963</u>	<u>\$ 434,545</u>	<u>\$ 46,660</u>

*The accompanying notes are an integral part of this statement.*

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$ 1,166,038
294,386	329,881
101,732	1,137,935
10,550	25,788
(3,611)	(8,827)
75,824	303,296
	40,031
	1,091
	46,660
	169,458
	5,928
\$ <u>478,881</u>	\$ <u>3,217,279</u>

\$ 108	\$ 123,196
	46,660
	2,169
	8,811
<u>108</u>	<u>180,836</u>
<u>6,939</u>	<u>16,961</u>
<u>6,939</u>	<u>16,961</u>

	5,928
	472
	1,315,964
415,649	415,649
55,639	55,639
546	1,225,830
<u>471,834</u>	<u>3,019,482</u>
\$ <u>478,881</u>	\$ <u>3,217,279</u>

**CITY OF GRANDVIEW, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2021

Total fund balances - governmental funds balance sheet	\$ 3,019,482
<p>Amounts reported for governmental activities in the statement of net position (SNP) are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$5,437,482 and the accumulated depreciation was \$2,221,130.</p>	3,216,352
<p>Current year capital outlays and dispositions are expenditures in the fund financial statements, but are shown as increases/decreases to capital assets in the statement of net position.</p>	951,840
<p>Depreciation expense decreases net position in SNP.</p>	(211,433)
<p>Long-term liabilities, \$9,082 of which are bonds, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.</p>	(522,890)
<p>Long-term debt principal payments are expenditures in the fund financial statements but they should be shown as reductions in long-term debt in the government-wide financial statements.</p>	169,217
<p>Debt proceeds are shown as other sources in the fund financial statements, but as an increase to long term debt in the government wide statements.</p>	(200,000)
<p>Included in the noncurrent assets is the recognition of the City's net pension asset required by GASB 68 in the amount of \$58,315, a deferred resource inflow in the amount of \$83,613, and a deferred resource outflow in the amount of \$80,464. This resulted in an increase in net position.</p>	55,166
<p>Compensated absences is recorded as a liability in the statement of net position, but is recognized as an expense in the fund financial statements as the benefit is paid.</p>	(45,552)
<p>Interest payable is recorded in the statement of net position. The balance decreases net position.</p>	(11,256)
<p>Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.</p>	<div style="border-top: 1px solid black; border-bottom: 3px double black;">16,961</div>
Net position of governmental activities - statement of net position	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 6,437,887</div>

*The accompanying notes are an integral part of this statement.*

**CITY OF GRANDVIEW, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Economic Development Corp - 4A	Economic Development Corp - 4B	Grant Fund
<b>REVENUES</b>				
Taxes				
Property tax	\$ 461,647	\$	\$	\$
Sales tax	734,169	183,542	183,542	
Right of way	108,079			
Licenses and permits	54,620			
Fines and forfeitures	425,112			
Rentals	11,587			
Grant revenues	222,783			348,686
SRO reimbursement	53,560			
Interest income	1,412	1,085	192	
Miscellaneous revenue	106,035	35,001		
Total Revenues	2,179,004	219,628	183,734	348,686
<b>EXPENDITURES</b>				
Current:				
General government	480,271			
Public safety	739,297			
Public works	252,292			
Municipal court	99,274			
Code enforcement	20,333			
Economic development		65,516	62,822	
Grant project expenditures				
Capital outlay	268,911			365,732
Debt service	30,440		30,431	
Total Expenditures	1,890,818	65,516	93,253	365,732
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	288,186	154,112	90,481	(17,046)
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain on disposal of assets	2,309			
Loan proceeds	200,000			
Transfers			(44,546)	44,546
Total Other Financing Sources (Uses)	202,309		(44,546)	44,546
Net Change in Fund Balances	490,495	154,112	45,935	27,500
Fund Balance - Beginning	741,189	727,527	388,390	(27,500)
Fund Balance - Ending	\$ 1,231,684	\$ 881,639	\$ 434,325	\$

*The accompanying notes are an integral part of this statement.*

	<u>Nonmajor Governmental Funds</u>		<u>Total Governmental Funds</u>
\$	318,321	\$	779,968
	367,084		1,468,337
			108,079
			54,620
	46,704		471,816
			11,587
			571,469
			53,560
	391		3,080
	546		141,582
	<u>733,046</u>		<u>3,664,098</u>
			480,271
			739,297
			252,292
	4,998		104,272
			20,333
			128,338
	30,000		30,000
	163,221		797,864
	131,781		192,652
	<u>330,000</u>		<u>2,745,319</u>
	<u>403,046</u>		<u>918,779</u>
			2,309
			200,000
	<u>(190,819)</u>		<u>(190,819)</u>
	<u>(190,819)</u>		<u>11,490</u>
	212,227		930,269
	<u>259,607</u>		<u>2,089,213</u>
\$	<u><u>471,834</u></u>	\$	<u><u>3,019,482</u></u>



**CITY OF GRANDVIEW, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Total change in fund balance - total governmental funds	\$ 930,269
<p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p>	
<p>Current year capital outlays and dispositions are expenditures in the fund financial statements, but are shown as increases/decreases to capital assets in the statement of net position.</p>	951,840
<p>Depreciation expense is not recorded in the fund financial statements.</p>	(211,433)
<p>Long-term debt principal payments are expenditures in the fund financial statements but they should be shown as reductions in long-term debt in the government-wide financial statements.</p>	169,217
<p>Debt proceeds are shown as other sources in the fund financial statements, but as an increase to long term debt in the government wide statements.</p>	(200,000)
<p>Interest payable is recorded as a liability in the statement of net position, but is recognized as an expense in the fund financial statements as debt service.</p>	4,167
<p>Compensated absences is recorded as a liability in the statement of net position, but is recognized as an expense in the fund financial statements as the benefit is paid.</p>	(4,877)
<p>The implementation of GASB 68 required that certain expenditures be de-expended and recoded as deferred resource outflows. These contributions made after the measurement date of December 31, 2020 caused the change in the ending net position to increase in the amount of \$53,752. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$33,771. The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$71,964. The result of these changes is to increase the change in net position.</p>	(51,983)
<p>Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.</p>	<u>(2,681)</u>
Change in net position governmental activities - statement of activities	\$ <u><u>1,584,519</u></u>

*The accompanying notes are an integral part of this statement.*

**PROPRIETARY FUND FINANCIAL STATEMENTS**

**CITY OF GRANDVIEW, TEXAS**

**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS**

SEPTEMBER 30, 2021

	<u>Water and Sewer</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>ASSETS</b>			
Current:			
Cash and cash equivalents	\$ 427,740	\$ 5,199	\$ 432,939
Investments	301,691		301,691
Accounts receivable, net	126,819		126,819
Inventory	85,447		85,447
Total current	<u>941,697</u>	<u>5,199</u>	<u>946,896</u>
Non current:			
Net pension asset	13,323		13,323
Land	4,500		4,500
Buildings, net	122		122
Vehicles and equipment, net	76,080		76,080
Furniture and equipment, net	132,646		132,646
Water system, net	2,512,419		2,512,419
Sewer system, net	1,660,024		1,660,024
Total non current	<u>4,399,114</u>		<u>4,399,114</u>
<b>TOTAL ASSETS</b>	<u>5,340,811</u>	<u>5,199</u>	<u>5,346,010</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to TMRS	<u>18,300</u>		<u>18,300</u>
Total Deferred Outflows of Resources	<u>18,300</u>		<u>18,300</u>

*The accompanying notes are an integral part of this statement.*

	Water and Sewer	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>LIABILITIES</b>			
Current			
Accounts payable	11,664		11,664
Payroll accruals	845		845
Accrued interest payable	6,049		6,049
Notes payable - current	8,941		8,941
Bonds payable - current	142,146		142,146
Total current	<u>169,645</u>		<u>169,645</u>
Non current:			
Accrued compensated absences	2,455		2,455
Customer deposits	58,634		58,634
Notes payable	9,331		9,331
Bonds payable	1,206,886		1,206,886
Total non current	<u>1,277,306</u>		<u>1,277,306</u>
<b>TOTAL LIABILITIES</b>	<u>1,446,951</u>		<u>1,446,951</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to TMRS	19,104		19,104
Total Deferred Inflows of Resources	<u>19,104</u>		<u>19,104</u>
<b>NET POSITION</b>			
Investment in capital assets	3,012,438		3,012,438
Unrestricted	880,618	5,199	885,817
<b>TOTAL NET POSITION</b>	<u>\$ 3,893,056</u>	<u>\$ 5,199</u>	<u>\$ 3,898,255</u>

**CITY OF GRANDVIEW, TEXAS**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET POSITION - PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water and Sewer	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
Water sales	\$ 432,185	\$ 2,487	\$ 434,672
Sewer service	246,148	2,711	248,859
Sanitation service	174,231		174,231
Penalties	20,326		20,326
Insurance proceeds	107,523		107,523
Miscellaneous	23,261		23,261
Total Operating Revenues	1,003,674	5,198	1,008,872
<b>OPERATING EXPENSES:</b>			
Personnel services	268,201		268,201
Sanitation collection fees	174,219		174,219
Maintenance	71,350		71,350
Operations	209,668		209,668
Materials and supplies	26,239		26,239
Depreciation	323,422		323,422
Total Operating Expenses	1,073,099		1,073,099
Net operating income (loss)	(69,425)	5,198	(64,227)
Interest income	848	1	849
Gain on sale of assets	6,895		6,895
Interest expense	(49,421)		(49,421)
Transfers	190,819		190,819
Total Nonoperating Expenses	149,141	1	149,142
Change in Net Position	79,716	5,199	84,915
Net Position - Beginning of Year	3,813,340		3,813,340
Net Position - End of Year	\$ 3,893,056	\$ 5,199	\$ 3,898,255

*The accompanying notes are an integral part of this statement.*

**CITY OF GRANDVIEW, TEXAS**

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Water and Sewer</u>	<u>Total Enterprise Funds</u>
<u>Cash flows from operating activities:</u>		
Cash received from customers	\$ 873,861	\$ 873,861
Cash received from miscellaneous sources	137,679	137,679
Cash payments to suppliers for goods and services	(513,471)	(513,471)
Cash payments for employees services and benefits	(269,425)	(269,425)
Net cash provided by operating activities	<u>228,644</u>	<u>228,644</u>
<u>Cash flows from capital and related financing activities:</u>		
Principal paid on notes payable	(8,569)	(8,569)
Principal paid on bonds payable	(141,885)	(141,885)
Interest expense	(49,421)	(49,421)
Acquisition of property and equipment	(184,490)	(184,490)
Net cash used by capital and related financing activities	<u>(384,365)</u>	<u>(384,365)</u>
<u>Cash flows from noncapital financing activities:</u>		
Pension funding	11,963	11,963
Transfers to/from other funds	190,819	190,819
Net cash provided by noncapital financing activities	<u>202,782</u>	<u>202,782</u>
<u>Cash flows from investing activities:</u>		
Interest income	849	849
Purchase of investments	(8,520)	(8,520)
Net cash provided by investing activities	<u>(7,671)</u>	<u>(7,671)</u>
Net Increase in Cash	39,390	39,390
Cash at Beginning of Year	<u>393,549</u>	<u>393,549</u>
Cash at End of Year:	<u>\$ 432,939</u>	<u>\$ 432,939</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (64,227)	\$ (64,227)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	323,422	323,422
Sale of assets	6,895	6,895
(Increase) decrease in operating assets		
Receivables	(5,121)	(5,121)
Inventory	(30,637)	(30,637)
Increase (decrease) in operating liabilities		
Accounts payable	(651)	(651)
Accrued compensated absences	(769)	(769)
Accrued payroll	(455)	(455)
Accrued interest	(707)	(707)
Utility deposits	894	894
Net cash provided by operating activities	<u>\$ 228,644</u>	<u>\$ 228,644</u>

*The accompanying notes are an integral part of this statement.*

## CITY OF GRANDVIEW, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting framework and the more significant accounting principles and practices of the City of Grandview, Texas (City) are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2021.

#### Financial Reporting Entity – Basis of Reporting

The City operates as a Type A General Law Municipality under the laws of the State of Texas. The City is governed by an elected mayor and five-member governing council and provides the following services as authorized by its charter: public safety, public works (streets), court, economic development, water, sewer, solid waste and general governmental services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Component units are reported in one of two ways, discretely presented and blended. Discretely presented component units are entities in which the financial information is reported in a separate column in the government-wide financial statements. The City has no discretely presented component units. Blended component unit's financial information is reported within the government's financial statements (as if it were a part of the government).

Grandview Economic Development Corporations, 4A and 4B, (GEDC) are blended component units and are reported within the City's primary government. GEDC was formed to attract businesses, create job opportunities and improve the City's appeal as a place to reside, work, and visit. A board of directors, whose members are appointed by and serve the city's governing body, makes all decisions regarding the use of local revenue in undertaking projects, though the City retains oversight authority and must approve all programs and expenditures of the corporation.

#### Government-wide and Fund Financial Statements

##### *Government-wide financial statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government is presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for uses of the City's services; and (2) capital grants and contributions which finance major construction projects. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

##### *Fund financial statements*

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applied all relevant Governmental Accounting Standards Board (GASB) pronouncements.

## CITY OF GRANDVIEW, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales taxes, property taxes, gross receipts taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income and expenses reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

#### Fund Types and Major Funds

##### *Governmental funds*

The City reports the following major governmental funds:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Economic Development Corporation – 4A – established to account for sales tax revenues collected for the purposes set forth by the Grandview Economic Development Corporation.

Economic Development Corporation – 4B – established to account for sales tax revenues collected for the purposes set forth by the Grandview Economic Development Corporation.

Grants Management Fund – This is a capital projects fund and was established to account for the city's capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions on the program use.

The City reports the following nonmajor governmental funds:

Special Court Fund – is made up of court technology funds, court security funds, and child safety trust funds. These funds are to be used only for state required expenditures and may not be co-mingled with other City funds.

Street Maintenance Fund – established to account for the City's sales tax revenues which fund the maintenance and repair of the city's streets.



**CITY OF GRANDVIEW, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Roadway Impact Fund – is made up of impact fees from customers for the streets.

Debt Service Fund – established to account for the accumulation of financial resources for the payment of principal and interest on the City’s general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds, interest, and judgments. This fund reports ad valorem taxes collected for debt purposes only.

*Proprietary funds*

The City reports the following major enterprise fund:

Water and Sewer Fund – reports for revenues and expenses associated with water, sewer, and sanitation services for the citizens of the City.

The City reports the following nonmajor enterprise funds:

Water and Wastewater Impact Funds – are made up of impact fees from customers for water and sewer line construction and repairs.

Assets, Liabilities, and Net Position or Equity

*Cash and cash investments*

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have an original maturity of three months or less when purchased.

*Investments*

Investments are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer’s Texas Local Government Investment Pool (TexPool). Investments for the City include investments in TexPool.

In accordance with state law, TexPool operates in conformity with all the requirements of the Securities and Exchange Commission’s (“SEC”) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool is subject to regulatory oversight by the State Treasurer, although they are not registered with the SEC.

*Inventory*

The costs in inventory are recorded as expenditures/expenses when purchased (purchase method).

*Capital assets, depreciation, and amortization*

The City’s property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund’s financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with costs of \$5,000 or more, as purchase and construction outlays occur. The City chose to include the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities such as streets), regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in non-operating revenues and expenses in the proprietary funds and general revenues in the government-wide statements.

CITY OF GRANDVIEW, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Estimated useful lives for depreciable assets are as follows:

Buildings	30 years
Vehicles and equipment	5 - 7 years
Furniture and equipment	5 - 7 years
Parks	30 years
Infrastructure	30 years
Water system	10 - 30 years
Sewer system	15 - 30 years

*Long-term debt*

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds from debt as other financing sources of the current period. Issuance costs and debt payments are reported as expenditures.

*Compensated Absences*

Vacation leave – Employees begin to accrue vacation leave time after six months of employment at a rate of 6.67 hours per month, for a maximum of 80 hours per year. After 6 years of employment, employees will accrue 10 hours per month, for a maximum of 120 hours per year. After 15 years of employment, employees will accrue 13.33 hours per month, for a maximum of 160 hours per year. Banked vacation hours at no time will exceed 270 hours. Employees are expected to use at least 40 hours of vacation time each year. Accrued vacation hours will be paid to employees that leave in good standing.

All full-time employees accrue 120 hours of sick time per year (10 hours per month) after 60-days of employment. Part-time employees may be given pro-rated paid sick leave if approved by City Council. Sick leave accumulates calendar year to calendar year with a maximum accrual of 480 hours. An employee who exhausts sick leave before the need is addressed may use comp-time then vacation leave if necessary or continue taking sick time without pay.

Compensatory time – All hourly employees may earn compensatory time (comp time). Employees desiring comp time in lieu of overtime pay must have permission of their Department Head or City Administrator. In no case will an employee be allowed to accrue more than 240 hours (480 hours for Police Officers) of comp time. All earned comp time will be accrued at a rate of 1 ½ times. In the event an employee leaves the city’s employment they will be paid for unused comp time.

*Deferred Outflows / Inflows of Resources*

Deferred outflows of resources refer to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets. The City has no amounts recorded as deferred outflows of resources in the governmental fund financial statements and \$98,764 and \$18,300 of deferred outflows related to TMRS in the government wide financial statements and proprietary funds statements, respectively.

Deferred inflows of resources refer to the acquisition of net assets that are applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Specifically, for the current period, the difference in delinquent taxes receivable and the associated allowance for uncollectible taxes of \$16,961 is considered a deferred inflow of resources in the governmental fund financial statements, while \$102,717 and \$19,104 of deferred inflows related to TMRS is considered deferred inflow of resources in the and government wide financial statements and proprietary funds, respectively.

**CITY OF GRANDVIEW, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Pensions*

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

*Fund Balance Classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

*Nonspendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City had \$5,928 classified as nonspendable at September 30, 2021.

*Restricted* – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Federal or state funds are restricted for a specific use only. The City had \$472 restricted for court and state seizure; \$1,315,964 restricted for economic development; \$415,649 restricted for special court and \$55,639 restricted for debt service at September 30, 2021.

*Committed* – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has no amounts classified as committed at September 30, 2021.

*Assigned* – This classification includes amounts that are constrained by the City Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to management through the budgetary process. The City has no funds classified as assigned at September 30, 2021.

*Unassigned* – This classification includes the residual fund balance for the General Fund. The unassigned also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

*Estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. As such, actual results could differ from those estimates.

## CITY OF GRANDVIEW, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

#### **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

##### Budgetary Information

###### *Budget policy and practice*

The annual budget is submitted to the City Council in accordance with the State of Texas' requirements. The budget is presented to the City Council for review, and public hearings are held to address citizen concerns. In September, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

###### *Basis of budgeting*

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: general governmental services, public safety, public works, municipal court, code enforcement, capital outlay and debt service. Budget revisions at this level are subject to final review by the City Council.

Budgets for the governmental funds operations are prepared on the modified accrual basis of accounting. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the expenditure is incurred. The budget and actual financial statements are reported on this basis.

#### **NOTE 3: DEPOSITS AND INVESTMENTS**

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

##### Cash Deposits

The City's cash deposits were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name at September 30, 2021.

##### Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, ("ACT") to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The ACT requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general-purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the ACT. Additionally, investment practices of the City were in accordance with local policies.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

**CITY OF GRANDVIEW, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 3: DEPOSITS AND INVESTMENTS - continued**

Fair Value

Generally accepted accounting principles require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A fair value hierarchy exists for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example: interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

While management believes the City's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

For all assets and liabilities other than investments carrying value approximates fair value.

Investments are reported at fair value utilizing Level I inputs for TexPool.

**CITY OF GRANDVIEW, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 3: DEPOSITS AND INVESTMENTS - continued**

The City's investments at September 30, 2021 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (WAM)</u>	<u>Rating</u>
TexPool Investments				
Debt Service Fund	\$ 55,618	\$ 55,618	37 Days	AAAm
Special Court				
Court Security	25,516	25,516	37 Days	AAAm
Court Technology	18,730	18,730	37 Days	AAAm
Court Child Safely	1,868	1,868	37 Days	AAAm
4A Economic Development Corporation	639,572	639,572	37 Days	AAAm
4B Economic Development Corporation	396,631	396,631	37 Days	AAAm
Water and Sewer Fund	301,691	301,691	37 Days	AAAm
	<u>\$ 1,439,626</u>	<u>\$ 1,439,626</u>		

Analysis of Specific Deposit and Investment Risks

- Credit Risk – the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.
- Custodial Credit Risk – Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At September 30, 2021, the City's deposits and investments were entirely collateralized and therefore, not exposed to custodial credit risk.
- Concentration of Credit Risk – the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy is to diversify its investments by security type and institution. The City invests only in TexPool. The City's concentration of credit risk is low.
- Interest rate risk – the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the maturity of investments to one year or less. The City monitors the interest rates to minimize the exposure to interest rate risk.
- Foreign Currency Risk – the risk that exchange rates will adversely affect the fair value of an investment. As of September 30, 2021, the City was not exposed to foreign currency risk.

**NOTE 4: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE**

Enterprise Receivables

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The allowance for uncollectible accounts is \$63,599 based on historical data.

Receivables at September 30, 2021 are shown as follows:

Primary government:	
Water fund utility services	\$ 190,418
Allowance for uncollectible accounts	<u>(63,599)</u>
Total primary government	<u>\$ 126,819</u>

**CITY OF GRANDVIEW, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 4: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE - continued**

Property Taxes Receivable, Deferred Revenue and Property Tax Calendar

Property taxes are levied by October 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1<sup>st</sup> of the year following the year in which the tax is imposed. On January 1<sup>st</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible taxes receivable within the General Fund are based upon historical experience in collecting property taxes. Uncollectible property taxes are periodically reviewed and written off, but the city is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In the governmental fund financial statements, property tax receivable is recorded in the General Fund. At fiscal year-end, the receivables represent delinquent taxes receivable.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected.

**NOTE 5: NOTE RECEIVABLE**

Grandview Economic Development Corporation entered into a note agreement on July 28, 2014, with Motiak, Inc. to open and operate a Burger King restaurant. Motiak, Inc. agreed to pay back \$75,000 over a 10-year period in monthly installments of \$707 including interest at a rate of 2.5%. Upon the 10<sup>th</sup> anniversary of the opening date of the restaurant, the remaining \$75,000 will be forgiven if Motiak, Inc. complied with all terms set forth in the loan agreement.

Grandview Economic Development Corporation entered into an agreement on September 1, 2018, with Jorge Ramirez (aka Los Campesinos) to lease/purchase property. Jorge Ramirez agreed to pay \$1,100 per month for eight years and four months (100 months). At the end of this time, if Jorge Ramirez desires to purchase the property, \$110,000 is due and payable. The purchase price will be reduced by the amount of rent actually paid under the lease of \$1,100 per month.

The following is the loan rollforward:

	Original Loan	Balance at 9/30/2020	Additions	Deletions	Balance at 9/30/2021
Motiak, Inc.	\$ 150,000	\$ 107,908	\$	\$ 7,750	\$ 100,158
Los Campesinos	110,000	82,500		13,200	69,300
	<u>\$ 260,000</u>	<u>\$ 190,408</u>	<u>\$ -</u>	<u>\$ 20,950</u>	<u>\$ 169,458</u>

**CITY OF GRANDVIEW, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 6: CAPITAL ASSETS**

The following schedule provides a summary of changes in capital assets:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 285,438	\$ 45,714	\$	\$ 331,152
Construction in progress	83,800	365,732		449,532
Total not being depreciated	369,238	411,446		780,684
Capital assets being depreciated				
Buildings	782,554			782,554
Infrastructure (streets)	2,119,673	410,065		2,529,738
Vehicles and equipment	852,561	130,329	71,125	911,765
Furniture and equipment	269,368			269,368
Document software	133,642			133,642
Parks	910,446			910,446
Total being depreciated	5,068,244	540,394	71,125	5,537,513
Less accumulated depreciation for:				
Buildings	(93,705)	(26,314)		(120,019)
Infrastructure (streets)	(707,461)	(67,831)		(775,292)
Vehicles and equipment	(670,712)	(65,345)	(71,125)	(664,932)
Furniture and equipment	(235,115)	(8,415)		(243,530)
Document software	(114,067)	(13,179)		(127,246)
Parks	(400,070)	(30,349)		(430,419)
Total accumulated depreciation	(2,221,130)	(211,433)	(71,125)	(2,361,438)
Total being depreciated, net	2,847,114	328,961		3,176,075
Governmental activities total, net	\$ 3,216,352	\$ 740,407	\$	\$ 3,956,759
<u>Business-type activities:</u>				
Capital assets not depreciated				
Land	\$ 4,500	\$	\$	\$ 4,500
Total not being depreciated	4,500			4,500
Capital assets being depreciated				
Buildings	14,010			14,010
Water system	5,402,054	120,710		5,522,764
Sewer system	5,016,877	24,658		5,041,535
Vehicles and equipment	258,472	39,121	53,729	243,864
Furniture and equipment	239,932			239,932
Total being depreciated	10,931,345	184,489	53,729	11,062,105
Less accumulated depreciation for:				
Buildings	(13,679)	(209)		(13,888)
Water system	(2,855,356)	(154,989)		(3,010,345)
Sewer system	(3,255,965)	(125,546)		(3,381,511)
Vehicles and equipment	(194,565)	(26,948)	(53,729)	(167,784)
Furniture and equipment	(91,557)	(15,729)		(107,286)
Total accumulated depreciation	(6,411,122)	(323,421)	(53,729)	(6,680,814)
Total being depreciated, net	4,520,223	(138,932)		4,381,291
Business-type activities total, net	\$ 4,524,723	\$ (138,932)	\$	\$ 4,385,791
Total government-wide, net	\$ 7,741,075	\$ 601,475	\$	\$ 8,342,550



**CITY OF GRANDVIEW, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 6: CAPITAL ASSETS - continued**

Depreciation was charged to functions as follows:

General government	\$	64,276
Public safety		50,882
Public works		72,886
Code		21,579
Court		391
Economic development		1,419
Total depreciation expense - governmental activities	\$	<u>211,433</u>

**NOTE 7: LONG-TERM BONDS PAYABLE**

**Governmental Activities**

In May 2019, the City entered into a note agreement with Grandview Bank in the amount of \$55,000 for the purchase of a vehicle. Payments of \$15,331 are due annually, including interest at 4.5%. The note is secured by the vehicle. The note matures in May 2023. \$ 28,666

In December 2016, the City entered into a tax anticipation note in the amount of \$393,968. Principal payments are due annually including interest at a rate of 4.17%. The note matures in December 2034. 319,039

In June 2021, the City entered into a note agreement SIB loan in the amount of \$200,000. Principal payments \$21,071 are to be paid annually for three years at 0% interest, then annual payments of \$21,071 including interest of 1.92%. The loan matures on June 11, 2031. 200,000

General Obligation Refunding Bonds, Series 2011 - Governmental Activities 5,968

**Business-type Activities**

In August 2019, the City entered into a note agreement with Grandview Bank in the amount of \$35,024 for the purchase of a vehicle. Payments of \$9,764 are due annually, including interest at a rate of 4.5%. The note is secured by the vehicle. The note matures in August 2023. 18,272

The City issued General Obligation Refunding Bonds, Series 2011 for the purpose of refunding the Tax and Utility system Revenue Certificates of Obligation, Series 1998 and the Combination Tax and Revenue Certificates of Obligation, Series 2000. The bonds are due and payable on August 15th of each year in principal amounts ranging from \$55,000 to \$165,000. Interest payments at a rate of 3.551% are payable semi-annually on February 15th and August 15th until maturity on August 15, 2023. The City had an estimated \$158,432 in savings on refunding the Series 1998 and Series 2000 Certificates of Obligation. The debt is split between governmental activities at 5.19% and business-type activities at 94.81%. 109,032

The City issued General Obligation Tax & Revenue Bonds, Series 2012 for the purpose of (1) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and wastewater system properties and facilities, and (2) professional services rendered in connection with such projects. The bonds are due and payable on August 15th of each year, principal amounts ranging from \$75,000 to \$140,000. Interest payments at a rate of 4.75% are due and payment semi-annually on February 15th and August 15th until maturity on August 15, 2032. 1,240,000

**CITY OF GRANDVIEW, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 7: LONG-TERM BONDS PAYABLE - continued**

The following provides a summary of changes in long-term debt and bonds payable:

<b>Primary Government:</b>	Balance at 9/30/2020	Additions	Retirements	Balance at 9/30/2021	Amount Due In One Year
<i>Governmental Activities:</i>					
Notes Payable					
2017 Charger	\$ 14,578	\$	\$ 14,578	\$	\$
2019 Charger	42,144		13,478	28,666	14,039
Tax Anticipation Notes - 2017	121,713		121,713		
Tax Anticipation Notes	335,373		16,334	319,039	17,175
SIB Loan		200,000		200,000	21,071
	<u>513,808</u>	<u>200,000</u>	<u>166,103</u>	<u>547,705</u>	<u>52,285</u>
Bonds Payable					
Bonds Payable, Series 2011	9,082		3,114	5,968	2,855
	<u>9,082</u>		<u>3,114</u>	<u>5,968</u>	<u>2,855</u>
<b>Total Governmental Activities</b>	<u>522,890</u>	<u>200,000</u>	<u>169,217</u>	<u>553,673</u>	<u>55,140</u>
<b>Business-type</b>					
Notes payable					
2019 Chevy	26,841		8,569	18,272	8,941
	<u>26,841</u>		<u>8,569</u>	<u>18,272</u>	<u>8,941</u>
Bonds payable					
Series 2011	165,917		56,885	109,032	52,146
Series 2012	1,325,000		85,000	1,240,000	90,000
	<u>1,490,917</u>		<u>141,885</u>	<u>1,349,032</u>	<u>142,146</u>
<b>Total Business-Type Activities</b>	<u>1,517,758</u>		<u>150,454</u>	<u>1,367,304</u>	<u>151,087</u>
<b>Total Primary Government</b>	<u>\$ 2,040,648</u>	<u>\$ 200,000</u>	<u>\$ 319,671</u>	<u>\$ 1,920,977</u>	<u>\$ 206,227</u>

Debt service for long-term debt is as follows:

<b>Governmental Activities</b>		Principal	Interest	Total
<b>Notes</b>				
2022	\$	52,285	\$ 14,548	\$ 66,833
2023		53,590	13,199	66,789
2024		39,709	11,793	51,502
2025		37,859	13,643	51,502
2026		39,023	12,479	51,502
2027-2031		214,044	5,810	219,854
2032-2035		111,195	11,367	122,562
Total	\$	<u>547,705</u>	\$ <u>82,839</u>	\$ <u>630,544</u>
<b>Bonds</b>				
2022	\$	2,855	\$ 212	\$ 3,067
2023		3,113	112	3,225
Total	\$	<u>5,968</u>	\$ <u>324</u>	\$ <u>6,292</u>

**CITY OF GRANDVIEW, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 7: LONG-TERM BONDS PAYABLE – continued**

**Business-type Activities**

Notes		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2022	\$	8,941	\$	823	\$	9,764
2023		<u>9,331</u>		<u>433</u>		<u>9,764</u>
Total	\$	<u>18,272</u>	\$	<u>1,256</u>	\$	<u>19,528</u>
<b>Bonds</b>						
2022	\$	142,146	\$	43,872	\$	186,018
2023		151,886		39,396		191,282
2024		95,000		34,288		129,288
2025		100,000		31,200		131,200
2026		105,000		27,950		132,950
2027-2031		615,000		84,877		699,877
2032		<u>140,000</u>		<u>4,550</u>		<u>144,550</u>
	\$	<u>1,349,032</u>	\$	<u>266,133</u>	\$	<u>1,615,165</u>

**NOTE 8: RISK MANAGEMENT – CLAIMS AND JUDGEMENTS**

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 liability, professional liability, and worker’s compensation insurance coverage is provided through the purchase of commercial insurance. The City retains risk on only a deductible amount. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage. The employee health care is also provided by commercial insurance with no risk retained by the city. Management has not been notified and is not aware of any significant claims not covered by insurance.

**NOTE 9: TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY**

Due To/ Due From

Funds transferred from one fund to another are recorded as other financing sources/uses in the respective fund. Transfers were to aid in debt service obligations.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Grant Fund	Economic Development 4B	\$ 44,546
Water and Sewer Fund	Debt Service Fund	<u>190,819</u>
		<u>\$ 235,365</u>

**NOTE 10: DEFINED BENEFIT PENSION PLAN**

Plan Description

The City of Grandview participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at tmrs.com.

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

**CITY OF GRANDVIEW, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 10: DEFINED BENEFIT PENSION PLAN - continued**

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS, however, the city chose not to adopt other post-employment benefits.

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

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

	Plan Year 2020	Plan Year 2019
Employee deposit rate	7%	7%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Retirement eligibility (Age / Service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating	100% repeating
Annuity increase (to retirees)	0% of CPI	0% of CPI

*Employees covered by benefit terms.*

At the December 31, 2020, valuation and measurement date, the following employees were covered by the benefit terms:

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	12	12
Inactive employees entitled to but not yet receiving benefits	23	19
Active employees	17	15
Total	52	46

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of the Member’s total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Grandview were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Grandview were 6.50% and 6.19% in calendar years 2020 and 2021, respectively. The city’s contributions to TMRS for the year ended September 30, 2021, were \$78,924, and were equal to the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The total Pension Liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

**CITY OF GRANDVIEW, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 10: DEFINED BENEFIT PENSION PLAN – continued**

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for the time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Minimum %	Target %	Maximum %
Core Fixed Income	5%	10%	15%
Non-Core Fixed Income	15%	20%	25%
Global Public Equity	20%	30%	40%
Real Estate	5%	10%	15%
Real Return	5%	10%	15%
Absolute Return	5%	10%	15%
Private Equity	5%	10%	15%
Cash Equivalents	0%	0%	10%

*Discount Rate*

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

**CITY OF GRANDVIEW, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 10: DEFINED BENEFIT PENSION PLAN – continued**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/19	\$ 1,579,609	\$ 1,812,236	\$ (232,627)
Changes for the year:			
Service cost	141,382		141,382
Interest	116,955		116,955
Change in benefit terms	119,087		119,087
Diff between expected/actual experience	32,595		32,595
Changes of assumptions			-
Contributions - employer		54,353	(54,353)
Contributions - employee		58,561	(58,561)
Net investment income		137,041	(137,041)
Benefit payments, including refunds of employee contributions	(73,450)	(73,450)	-
Administrative expenses		(890)	890
Other charges		(35)	35
Net changes	<u>336,569</u>	<u>175,580</u>	<u>160,989</u>
Balance at 12/31/20	<u>\$ 1,916,178</u>	<u>\$ 1,987,816</u>	<u>\$ (71,638)</u>

*Sensitivity of the net pension liability to changes in the discount rate*

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City of Grandview's net pension liability	\$ 193,934	\$ (71,638)	\$ (288,597)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [tmrs.com](http://tmrs.com).

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2021, the city recognized pension expense of \$143,229.

At September 30, 2021, the city reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 29,054	\$ 52,367
Changes in actuarial assumptions	3,677	
Differences between projected and actual investment earnings (net of current year amortization)		50,350
Contributions subsequent to the measurement date	66,033	-
Total	<u>\$ 98,764</u>	<u>\$ 102,717</u>

**CITY OF GRANDVIEW, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 10: DEFINED BENEFIT PENSION PLAN – continued**

\$66,033 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2022	\$	(39,780)
2023		1,883
2024		(29,530)
2025		(2,559)

**NOTE 11: HEALTH CARE COVERAGE**

Employee Health Care Coverage

During the year ended September 30, 2021, employees of the City were covered by a health insurance plan (the Plan). Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

**NOTE 12: COMMITMENTS AND CONTINGENCIES**

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the city, there were no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statement for such contingencies.

**NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS**

In June 2017, the GASB issued Statement No. 87 *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. GASB No. 95 postponed the effective date 18 months. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2018, the GASB issued Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. GASB No. 95 postponed the effective date one year. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

## CITY OF GRANDVIEW, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

#### **NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS - continued**

In August 2018, the GASB issued Statement No. 90 *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. GASB No. 95 postponed the effective date one year. The City determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In May 2019, the GASB issued Statement No. 91 *Conduit debt obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2021 due to GASB No. 95. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92 *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2021. GASB No. 95 postponed the effective date for one year. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 93 *Replacement of Interbank Offered Rates*. The objective of the Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for reporting periods ending after December 15, 2021. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2022. GASB No. 95 postponed the implementation by one year. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The



**CITY OF GRANDVIEW, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS - continued**

City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2020, the GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The following statements are postponed by one year: 83, 84, 88, 89, 90, 91, 92 and 93. The following statement is postponed by 18 months: No. 87. The requirements of this Statement are effective immediately.

In May 2020, the GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement is effective for years beginning after June 15, 2022. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2020, the GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements Nos. 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements, and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF GRANDVIEW, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Property tax	\$ 451,141	\$ 451,141	\$ 461,647	\$ 10,506
Sales tax	510,000	567,075	734,169	167,094
Right of way	101,600	101,600	108,079	6,479
Licenses and permits	25,400	25,400	54,620	29,220
Fines and forfeitures	415,100	415,100	425,112	10,012
Rentals	11,595	11,595	11,587	(8)
Grant revenues			222,783	222,783
SRO reimbursement	53,560	53,560	53,560	
Interest income	5,000	5,000	1,412	(3,588)
Miscellaneous revenue	106,024	106,024	106,035	11
Total Revenues	<u>1,679,420</u>	<u>1,736,495</u>	<u>2,179,004</u>	<u>442,509</u>
<b>EXPENDITURES</b>				
Current:				
General government	451,071	508,146	480,271	27,875
Public safety	738,771	738,771	739,297	(526)
Public works	176,960	179,360	252,292	(72,932)
Municipal court	104,177	104,177	99,274	4,903
Code enforcement	60,099	60,099	20,333	39,766
Capital outlay	142,858	278,302	268,911	9,391
Debt service	30,484	30,484	30,440	44
Total Expenditures	<u>1,704,420</u>	<u>1,899,339</u>	<u>1,890,818</u>	<u>8,521</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(25,000)</u>	<u>(162,844)</u>	<u>288,186</u>	<u>451,030</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain on disposal of assets	25,000	25,000	2,309	(22,691)
Loan proceeds		137,844	200,000	62,156
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>162,844</u>	<u>202,309</u>	<u>39,465</u>
Net Change in Fund Balances			490,495	490,495
Fund Balance - Beginning	<u>741,189</u>	<u>741,189</u>	<u>741,189</u>	
Fund Balance - Ending	<u>\$ 741,189</u>	<u>\$ 741,189</u>	<u>\$ 1,231,684</u>	<u>\$ 490,495</u>

**CITY OF GRANDVIEW, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TMRS**

Last 10 Years (will ultimately be displayed)

	Plan Year Ended December 31,			
	2020	2019	2018	2017
<b>Total pension liability</b>				
Service cost	\$ 141,382	\$ 114,834	\$ 112,446	\$ 97,902
Interest (on the total pension liability)	116,955	103,463	92,591	95,713
Changes in benefit terms	119,087			
Difference between expected and actual experience	32,595	(87,494)	32,210	(142,037)
Change of assumptions		7,999		
Benefit payments, including refunds of employee contributions	(73,450)	(69,115)	(85,638)	(124,578)
Net Change in Total Pension Liability	<u>336,569</u>	<u>69,687</u>	<u>151,609</u>	<u>(73,000)</u>
Total Pension Liability - Beginning	<u>1,579,609</u>	<u>1,509,922</u>	<u>1,358,313</u>	<u>1,431,313</u>
Total Pension Liability - Ending	<u>\$ 1,916,178</u>	<u>\$ 1,579,609</u>	<u>\$ 1,509,922</u>	<u>\$ 1,358,313</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	54,353	49,987	50,596	43,496
Contributions - employee	58,561	56,529	55,082	51,258
Net investment income	137,041	236,842	(46,700)	193,806
Benefit payments, including refunds of employee contributions	(73,450)	(69,115)	(85,638)	(124,578)
Administrative expense	(890)	(1,345)	(907)	(1,009)
Other	(35)	(40)	(46)	(51)
Net Change in Plan Fiduciary Net Position	<u>175,580</u>	<u>272,858</u>	<u>(27,613)</u>	<u>162,922</u>
Plan Fiduciary Net Position - Beginning	<u>1,812,236</u>	<u>1,539,378</u>	<u>1,566,991</u>	<u>1,404,069</u>
Plan Fiduciary Net Position - Ending	<u>\$ 1,987,816</u>	<u>\$ 1,812,236</u>	<u>\$ 1,539,378</u>	<u>\$ 1,566,991</u>
Net Pension Liability - Ending	<u>\$ (71,638)</u>	<u>\$ (232,627)</u>	<u>\$ (29,456)</u>	<u>\$ (208,678)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.74%	114.73%	101.95%	115.36%
Covered Employee Payroll	\$ 836,579	\$ 807,554	\$ 786,883	\$ 732,251
Net Pension Liability as a Percentage of Covered Employee Payroll	-8.56%	-28.81%	-3.74%	-28.50%

	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	96,818	\$ 91,189	\$ 81,434
	89,753	86,291	79,501
	16,419	(11,470)	3,277
		26,215	
	<u>(105,872)</u>	<u>(90,316)</u>	<u>(53,868)</u>
	97,118	101,909	110,344
	<u>1,334,195</u>	<u>1,232,286</u>	<u>1,121,942</u>
\$	<u><u>1,431,313</u></u>	\$ <u><u>1,334,195</u></u>	\$ <u><u>1,232,286</u></u>
	37,516	35,654	25,314
	51,696	51,353	50,920
	89,646	1,966	71,054
	(105,872)	(90,316)	(53,868)
	(1,017)	(1,200)	(742)
	(55)	(59)	(61)
	<u>71,914</u>	<u>(2,602)</u>	<u>92,617</u>
	<u>1,332,155</u>	<u>1,334,757</u>	<u>1,242,140</u>
\$	<u><u>1,404,069</u></u>	\$ <u><u>1,332,155</u></u>	\$ <u><u>1,334,757</u></u>
\$	<u><u>27,244</u></u>	\$ <u><u>2,040</u></u>	\$ <u><u>(102,471)</u></u>
	98.10%	99.85%	108.32%
\$	738,508	\$ 733,619	\$ 727,424
	3.69%	0.28%	-14.09%

**CITY OF GRANDVIEW, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS - TMRS**  
 Last 10 Fiscal Years (will ultimately be displayed)

	Fiscal Year Ended September 30,			
	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 78,924	\$ 55,368	\$ 50,121	\$ 48,654
Contributions in relation to the actuarially determined contribution	(78,924)	(55,368)	(50,121)	(48,654)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 883,308	\$ 862,507	\$ 801,263	\$ 772,163
Contribution as a percentage of covered employee payroll	8.94%	6.42%	6.26%	6.30%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.

**Mortality**

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality table with Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes

- 1) Increased city matching ratio from 1.5 to 2 - 1
- 2) Increased statutory max to 13.5% due to plan changes

	<u>2017</u>		<u>2016</u>		<u>2015</u>
\$	40,833	\$	37,495	\$	33,311
	<u>(40,833)</u>		<u>(37,495)</u>		<u>(33,311)</u>
\$	<u><u>-</u></u>	\$	<u><u>-</u></u>	\$	<u><u>-</u></u>
\$	714,234	\$	746,457	\$	742,890
	5.72%		5.02%		4.48%

**OTHER SUPPLEMENTARY INFORMATION**



**CITY OF GRANDVIEW, TEXAS**

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021

	<u>Special</u>	<u>Street</u>	<u>Roadway</u>	<u>Debt</u>	<u>Total</u>
	<u>Court</u>	<u>Maintenance</u>	<u>Impact</u>	<u>Service</u>	<u>Nonmajor</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
					<u>Funds</u>
<b>ASSETS</b>					
Current:					
Restricted assets					
Cash	\$ 52,005	\$ 241,814	\$ 546	\$ 21	\$ 294,386
Investments	46,114			55,618	101,732
Receivables:					
Property tax				10,550	10,550
Allowance for uncollectible tax				(3,611)	(3,611)
Sales tax		75,824			75,824
Total Assets	\$ <u>98,119</u>	\$ <u>317,638</u>	\$ <u>546</u>	\$ <u>62,578</u>	\$ <u>478,881</u>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	\$ <u>108</u>				\$ <u>108</u>
Total Liabilities	<u>108</u>				<u>108</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes				<u>6,939</u>	<u>6,939</u>
Total Deferred Inflows of Resources				<u>6,939</u>	<u>6,939</u>
<b>FUND BALANCE</b>					
Restricted					
Special court	98,011	317,638			415,649
Debt service				55,639	55,639
Unassigned			<u>546</u>		<u>546</u>
Total Fund Balance	<u>98,011</u>	<u>317,638</u>	<u>546</u>	<u>55,639</u>	<u>471,834</u>
Total Liabilities, Deferred Inflows, and Fund Balances	\$ <u>98,119</u>	\$ <u>317,638</u>	\$ <u>546</u>	\$ <u>62,578</u>	\$ <u>478,881</u>

**CITY OF GRANDVIEW, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Special Court Fund</u>	<u>Street Maintenance Fund</u>	<u>Roadway Impact Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>					
Taxes					
Property tax	\$	\$	\$	\$ 318,321	\$ 318,321
Sales tax		367,084			367,084
Fines and forfeitures	46,704				46,704
Miscellaneous income			546		546
Interest income	78	313			391
Total Revenues	<u>46,782</u>	<u>367,397</u>	<u>546</u>	<u>318,321</u>	<u>733,046</u>
<b>EXPENDITURES</b>					
Current:					
Municipal court	4,998				4,998
Grant project expenditures		30,000			30,000
Debt service				131,781	131,781
Capital outlay		163,221			163,221
Total Expenditures	<u>4,998</u>	<u>193,221</u>		<u>131,781</u>	<u>330,000</u>
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	<u>41,784</u>	<u>174,176</u>	<u>546</u>	<u>186,540</u>	<u>403,046</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers				(190,819)	(190,819)
Total Other Financing Sources (Uses)				<u>(190,819)</u>	<u>(190,819)</u>
Net Change in Fund Balances	41,784	174,176	546	(4,279)	212,227
Fund Balance - Beginning	<u>56,227</u>	<u>143,462</u>		<u>59,918</u>	<u>259,607</u>
Fund Balance - Ending	\$ <u>98,011</u>	\$ <u>317,638</u>	\$ <u>546</u>	\$ <u>55,639</u>	\$ <u>471,834</u>

**CITY OF GRANDVIEW, TEXAS**

COMBINING STATEMENTS OF NET POSITION

NONMAJOR PROPRIETARY FUNDS

SEPTEMBER 30, 2021

	<u>Water Impact Fund</u>	<u>Wastewater Impact Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Current:			
Restricted assets			
Cash	\$ 2,487	\$ 2,712	\$ 5,199
Total Assets	<u>2,487</u>	<u>2,712</u>	<u>5,199</u>
<b>NET POSITION</b>			
Unrestricted	<u>2,487</u>	<u>2,712</u>	<u>5,199</u>
Total Net Position	<u>2,487</u>	<u>2,712</u>	<u>5,199</u>

**CITY OF GRANDVIEW, TEXAS**

COMBINING STATEMENTS OF ACTIVITIES  
NONMAJOR PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Water Impact Fund</u>	<u>Wastewater Impact Fund</u>	<u>Total Enterprise Funds</u>
OPERATING REVENUES:			
Water sales	\$ 2,487	\$	\$ 2,487
Sewer service		2,711	2,711
Total Operating Revenues	<u>2,487</u>	<u>2,711</u>	<u>5,198</u>
Nonoperating income			
Interest income		1	1
Total Nonoperating Expenses		<u>1</u>	<u>1</u>
Change in Net Position	2,487	2,712	5,199
Net Position - Beginning of Year			
Net Position - End of Year	\$ <u>2,487</u>	\$ <u>2,712</u>	\$ <u>5,199</u>

**OTHER INFORMATION REQUIRED BY GAO**

# Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645  
Abilene, TX 79602

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

To the City Council  
City of Grandview, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Grandview, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Grandview, Texas' basic financial statements, and have issued our report thereon dated February 11, 2022.

### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

  
MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas  
February 11, 2022

**CITY OF GRANDVIEW**

**SCHEDULE OF FINDINGS AND RESPONSES**

YEAR ENDED SEPTEMBER 30, 2021

**I. Summary of Auditor's Report**

- a. The type of report issued on the financial statements of the City of Grandview was an unqualified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the City of Grandview were disclosed during the audit.

**II. Findings Required to be Reported in Accordance with *Government Auditing Standards*.**

None

**CITY OF GRANDVIEW**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

YEAR ENDED SEPTEMBER 30, 2021

**Findings/Noncompliance**

None