

City of Ovilla, Texas

Independent Auditor's Report and Financial Statements

September 30, 2021

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Independent Auditor's Report

The Honorable Mayor and Members of City Council
City of Ovilla, Texas
Ovilla, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ovilla, Texas (City) 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 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, pension, and other postemployment benefit information as listed in the table of contents 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying budgetary comparison schedules and combining fund financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules and combining 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 budgetary comparison schedules and combining fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Dallas, Texas
March 30, 2022

City of Ovilla, Texas

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2021

As management of the City of Ovilla, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,107,289 (net position). Of this amount, \$1,609,634 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$593,428 from prior year. \$755,307 of this increase was attributed to governmental activities and a decrease of \$161,879 was due to business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$1,357,687, an increase of \$215,012 in comparison with the prior year. Approximately 54 percent of this amount (\$736,294) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$736,294, or approximately 17 percent of total general fund expenditures.
- The City's total outstanding long-term bonded debt decreased by \$420,000 during the current fiscal year because of scheduled debt service payments.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Ovilla, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2021

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (*e.g.*, uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City's that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, cultural and recreational, and solid waste. The business-type activities of the City include the City's water and sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation and legally separate municipal development district for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-13 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

City of Ovilla, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2021

Proprietary Funds. The City maintains one type of proprietary fund, an enterprise fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-50 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the general fund's budget to actual performance and the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 51-54 of this report.

The budget to actual schedules and combining statements in connection with debt service fund, water and sewer fund and nonmajor governmental funds are presented immediately following the required supplementary information on budget, pensions and other postemployment benefits. These schedules and statements can be found on pages 55-62 of this report.

Government-wide Overall Financial Analysis

Net position for the City may serve as a useful indicator of a government's financial stability. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,107,289, at the close of the most recent fiscal year.

City of Ovilla, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2021

A condensed version of the government-wide statement of net position follows:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 2,050,403	\$ 2,291,209	\$ 2,029,894	\$ 1,619,359	\$ 4,080,297	\$ 3,910,568
Capital assets	4,740,796	4,526,122	2,500,364	2,626,605	7,241,160	7,152,727
Total assets	<u>6,791,199</u>	<u>6,817,331</u>	<u>4,530,258</u>	<u>4,245,964</u>	<u>11,321,457</u>	<u>11,063,295</u>
Deferred outflows of resources	186,500	147,153	40,001	30,081	226,501	177,234
Long-term liabilities	2,770,427	3,066,607	668,010	741,465	3,438,437	3,808,072
Other liabilities	1,106,319	1,542,255	788,470	257,791	1,894,789	1,800,046
Total liabilities	<u>3,876,746</u>	<u>4,608,862</u>	<u>1,456,480</u>	<u>999,256</u>	<u>5,333,226</u>	<u>5,608,118</u>
Deferred inflows of resources	88,470	98,446	18,973	20,104	107,443	118,550
Net position:						
Net investment in capital assets	1,925,401	1,336,773	1,946,920	1,989,055	3,872,321	3,325,828
Restricted	621,393	409,381	3,941	3,940	625,334	413,321
Unrestricted	465,689	511,022	1,143,945	1,263,690	1,609,634	1,774,712
Total net position	<u>\$ 3,012,483</u>	<u>\$ 2,257,176</u>	<u>\$ 3,094,806</u>	<u>\$ 3,256,685</u>	<u>\$ 6,107,289</u>	<u>\$ 5,513,861</u>

A portion of the City's net position (63.40 percent) reflects its investment in capital assets (*e.g.*, land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (10.20 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,609,634 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

The City's net investment in capital assets increased as a result of scheduled principal payments and capital asset additions exceeding the current year's depreciation.

City of Ovilla, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2021

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's overall net position increased \$593,428 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$755,307 from the prior fiscal year for an ending balance of \$3,012,483. Revenues benefitted from an increase in property tax (\$206,286) and sales tax (\$62,702) due to growth of the City, as well as an increase in intergovernmental revenues largely due to the receipt of CARES funds. Public safety and streets expenses increased by \$420,521 and \$163,019, respectively, during the year due to an increase in wages and repairs and maintenance.

Business-type Activities. For the City's business-type activities, the current fiscal year resulted in a net decrease in net position of \$161,879 for an ending balance of \$3,094,806. Charges for services decreased 6.44 percent (\$101,287). Total expenses increased 20.19 percent (\$275,411) due to an increase in wages and purchased water and treatment costs as a result of the City's growth. The decline in revenue, in large part, is attributable to the City waiving late fees and customer shut-offs due to COVID-19, which did not resume until the middle of fiscal year 2021.

A summary of the government-wide statement of activities follows:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUES:						
Program Revenues:						
Charges for services	\$ 1,004,175	\$ 1,001,852	\$ 1,471,838	\$ 1,573,125	\$ 2,476,013	\$ 2,574,977
Operating grants and contributions	431,550	52,429	-	-	431,550	52,429
General Revenues:						
Property tax	2,761,873	2,555,587	-	-	2,761,873	2,555,587
Sales tax	474,139	411,437	-	-	474,139	411,437
Franchise tax	159,248	161,892	-	-	159,248	161,892
Investment earnings	26,295	39,414	8	172	26,303	39,586
Miscellaneous	329,735	233,331	-	-	329,735	233,331
Gain on sale of capital assets	-	3,330	-	-	-	3,330
Total revenues	5,187,015	4,459,272	1,471,846	1,573,297	6,658,861	6,032,569
EXPENSES:						
General government	913,829	891,305	-	-	913,829	891,305
Public safety	2,442,549	2,022,028	-	-	2,442,549	2,022,028
Streets	494,810	331,791	-	-	494,810	331,791
Cultural and recreation	156,985	129,281	-	-	156,985	129,281
Solid waste	303,417	252,471	-	-	303,417	252,471
Interest and fiscal charges	114,048	123,326	-	-	114,048	123,326
Water and sewer	-	-	1,639,795	1,364,384	1,639,795	1,364,384
Total expenses	4,425,638	3,750,202	1,639,795	1,364,384	6,065,433	5,114,586
Increase (decrease) in net position before transfers	761,377	709,070	(167,949)	208,913	593,428	917,983
Transfers	(6,070)	(4,878)	6,070	4,878	-	-
Increase (decrease) in net position	755,307	704,192	(161,879)	213,791	593,428	917,983
Net position, beginning	2,257,176	1,552,984	3,256,685	3,042,894	5,513,861	4,595,878
Net position, ending	\$ 3,012,483	\$ 2,257,176	\$ 3,094,806	\$ 3,256,685	\$ 6,107,289	\$ 5,513,861

City of Ovilla, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2021

Financial Analysis of Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

At September 30, 2021, the City's governmental funds reported combined fund balances of \$1,357,687, an increase of \$215,012 in comparison with the prior year. Approximately 54 percent of this amount \$736,294 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is restricted for particular purposes (\$621,393).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$736,294, while total fund balance was \$802,324. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 17 percent of total general fund expenditures, while total fund balance represents approximately 19 percent of that same amount.

The fund balance of the City's general fund increased slightly by \$3,000 during the current fiscal year due to increased property and sales tax revenues and decreased capital asset expenditures during the fiscal year. However, the general fund had increases in general government, public safety, streets, and solid waste expenses due to an increase in wages and repairs and maintenance.

The debt service fund, a major governmental fund, had an increase in fund balance during the current year of \$121,807 to bring the year-end fund balance to \$276,168 due to budgeted increase in allocation of ad valorem revenues during the fiscal year.

Proprietary Fund. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year was \$1,143,945. The total decrease in net position was \$161,879. Operating revenues decreased in 2021 by \$101,287 (6.44 percent). Operating expenses increased \$275,411 (20.19 percent) due to an increase in wages and purchased water costs as a result of the City's growth.

City of Ovilla, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2021

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, the City increased the original estimated expenditures by \$284,850. The main components of the difference between original budget and final amended budget can be materially summarized as follows:

- \$2,800 increase in general government expenditures
- \$18,050 increase in cultural and recreational expenditures
- \$264,000 increase in capital expenditures

Final budget compared to actual results. General fund actual revenues of \$4,186,759 exceeded budgeted revenues of \$4,092,770 by \$93,989. This positive variance in revenues was mostly attributable to higher than budgeted sales tax as a result of increased sales within the City limits and increases in charges for services which were partially offset by a decrease in miscellaneous revenue due to the City's decision to cancel Heritage Day in September 2021 due to COVID-19.

Actual general fund expenditures of \$4,251,425 exceeded budgeted expenditures of \$4,179,394. This \$72,031 negative variance in expenditures was attributable to higher than budgeted expenditures for general government and public safety as a result of increased purchases for personal protective equipment in response to the pandemic.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$7,241,160 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The total increase in capital assets for the current fiscal year was approximately 1.24 percent.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 397,763	\$ 397,763	\$ 86,700	\$ 86,700	\$ 484,463	\$ 484,463
Construction in progress	26,522	90,490	-	-	26,522	90,490
Buildings	419,693	452,680	77,491	45,802	497,184	498,482
Improvements	-	-	2,249,347	2,436,152	2,249,347	2,436,152
Machinery and equipment	557,623	746,539	86,826	57,951	644,449	804,490
Infrastructure	3,339,195	2,838,650	-	-	3,339,195	2,838,650
Total	\$ 4,740,796	\$ 4,526,122	\$ 2,500,364	\$ 2,626,605	\$ 7,241,160	\$ 7,152,727

City of Ovilla, Texas
Management’s Discussion and Analysis (Unaudited)
Year Ended September 30, 2021

Major capital asset events during the current fiscal year included the following:

- Infrastructure additions of approximately \$307,000 related to Water Street Bridge and \$249,000 related to resurfacing the City Hall Parking Lot.
- Building additions of approximately \$34,000 related to Chemical Feed Building.
- Machinery and equipment additions of approximately \$53,000 related to rescue equipment for the fire department.
- Machinery and equipment of approximately \$35,000 related to a new vehicle for the water and sewer department.

Additional information on the City’s capital assets can be found in *Note 6* on pages 38-39 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,435,000.

	Governmental Activities		Business-type Activities		Primary Government Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 2,760,803	\$ 3,098,368	\$ 674,197	\$ 756,632	\$ 3,435,000	\$ 3,855,000
Totals	\$ 2,760,803	\$ 3,098,368	\$ 674,197	\$ 756,632	\$ 3,435,000	\$ 3,855,000

The City’s total debt decreased by \$420,000, (11 percent) during the current fiscal year. The reason for the decrease is regularly scheduled debt service payments combined with no new debt issuances during the fiscal year.

The City maintains a “AA” rating from Standard & Poor’s Ratings for general obligation debt.

Additional information on the City’s long-term debt can be found in *Note 7* on pages 39-40 of this report.

Economic Factors and Next Year’s Budgets and Rates

The FY2021-22 Budget calls for adopting the Property Tax Rate of \$0.660 per \$100 of assessed property valuation. The operating and debt tax rates are projected to change to \$0.5262 and \$0.1338, respectively. The FY2022 total combined budget of \$9,264,340 represents an increase of \$1,665,735 from the FY2020-21 Amended Budget of \$7,598,605. This increase is attributable to increased one-time expenditures budgeted in FY2022 budget.

According to both Ellis County and Dallas County Appraisal Districts, the total assessed property value for FY2022 equals \$436,679,200, which is an increase of \$31,831,893 over FY2021 certified value of \$404,847,307. This is a 7.86 percent increase over FY2021. The budget includes projected increase taxes and charges for services.

City of Ovilla, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2021

Water and Sewer Fund revenue for fiscal year FY2022 is budgeted to increase by 6.51 percent over the FY2021 adopted budget.

The City's annual debt service is \$562,400, including principal of \$425,000 and interest of \$137,400. The outstanding debt reflects \$3,435,000 in General Obligation Refunding Bonds payable through 2029.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Secretary, 105 South Cockrell Hill Rd., Ovilla, Texas 75154.

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Basic Financial Statements

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City of Ovilla, Texas
Statement of Net Position
September 30, 2021

	Primary Government			Component Units	
	Governmental	Business-type	Total	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
	Activities	Activities			
ASSETS					
Cash and cash equivalents	\$ 1,505,149	\$ 1,560,610	\$ 3,065,759	\$ 956,458	\$ 259,837
Investments	317,320	-	317,320	-	-
Receivables (net of allowances for uncollectibles)	178,443	232,109	410,552	32,789	17,210
Due from component unit	19,931	-	19,931	-	-
Internal balances	29,160	(29,160)	-	-	-
Inventories	-	13,055	13,055	-	-
Prepaid expenses	400	-	400	114	100
Restricted cash and cash equivalents	-	253,280	253,280	-	-
Capital assets					
Nondepreciable	424,285	86,700	510,985	-	-
Depreciable, net of accumulated depreciation	4,316,511	2,413,664	6,730,175	-	-
Total Assets	6,791,199	4,530,258	11,321,457	989,361	277,147
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources – Pension	162,314	34,813	197,127	-	-
Deferred outflows of resources – OPEB	24,186	5,188	29,374	-	-
Total Deferred Outflows of Resources	186,500	40,001	226,501	-	-
LIABILITIES					
Current liabilities:					
Accounts payable	97,994	52,878	150,872	-	-
Accrued wages payable	35,634	4,956	40,590	-	-
Accrued interest payable	13,804	3,370	17,174	-	-
Other accrued liabilities	26,324	-	26,324	-	-
Due to primary government	-	-	-	19,306	625
Customer deposits	-	116,975	116,975	-	-
Unearned revenue	495,530	516,262	1,011,792	-	-
Compensated absences	95,449	10,613	106,062	-	-
Bonds payable – current	341,584	83,416	425,000	-	-
Noncurrent liabilities:					
Bonds payable	2,473,811	604,391	3,078,202	-	-
Net pension liability	220,518	47,296	267,814	-	-
Total OPEB liability	76,098	16,323	92,421	-	-
Total Liabilities	3,876,746	1,456,480	5,333,226	19,306	625
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources – Pension	83,680	17,947	101,627	-	-
Deferred inflows of resources – OPEB	4,790	1,026	5,816	-	-
Total Deferred Inflows of Resources	88,470	18,973	107,443	-	-
NET POSITION					
Net investment in capital assets	1,925,401	1,946,920	3,872,321	-	-
Restricted for:					
Cultural and recreational	113,609	-	113,609	-	-
Debt service	276,168	-	276,168	-	-
Economic development	-	-	-	970,055	-
Infrastructure improvements	-	3,941	3,941	-	-
Municipal development	-	-	-	-	276,522
Public safety	41,495	-	41,495	-	-
Streets	190,121	-	190,121	-	-
Unrestricted	465,689	1,143,945	1,609,634	-	-
Total Net Position	\$ 3,012,483	\$ 3,094,806	\$ 6,107,289	\$ 970,055	\$ 276,522

City of Ovilla, Texas
Statement of Activities
Year Ended September 30, 2021

Function/Programs:	Net (Expense) Revenue and Changes in Net Position							
	Program Revenues			Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development Corporation
Primary Government:								
Governmental activities:								
General government	\$ 913,829	\$ 194,324	\$ 248,798	\$ (470,707)	\$ -	\$ (470,707)	\$ -	\$ -
Public safety	2,442,549	474,501	182,752	(1,785,296)	-	(1,785,296)	-	-
Streets	494,810	-	-	(494,810)	-	(494,810)	-	-
Cultural and recreation	156,985	13,852	-	(143,133)	-	(143,133)	-	-
Solid waste	303,417	321,499	-	18,082	-	18,082	-	-
Interest and fiscal charges	114,048	-	-	(114,048)	-	(114,048)	-	-
Total governmental activities	<u>4,425,638</u>	<u>1,004,175</u>	<u>431,550</u>	<u>(2,989,913)</u>	<u>-</u>	<u>(2,989,913)</u>	<u>-</u>	<u>-</u>
Business-type activities:								
Water and sewer	1,639,795	1,471,838	-	-	(167,957)	(167,957)	-	-
Total business-type activities	<u>1,639,795</u>	<u>1,471,838</u>	<u>-</u>	<u>-</u>	<u>(167,957)</u>	<u>(167,957)</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 6,065,433</u>	<u>\$ 2,476,013</u>	<u>\$ 431,550</u>	<u>(2,989,913)</u>	<u>(167,957)</u>	<u>(3,157,870)</u>	<u>-</u>	<u>-</u>
Component Units:								
Ovilla 4B Economic Development Corporation	\$ 23,956	\$ -	\$ -				(23,956)	-
Ovilla Municipal Development District	<u>251,659</u>	<u>-</u>	<u>-</u>				<u>-</u>	<u>(251,659)</u>
Total component units	<u>\$ 275,615</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(23,956)</u>	<u>(251,659)</u>
			General revenues:					
			Property tax	2,761,873	-	2,761,873	-	-
			Sales tax	474,139	-	474,139	189,656	102,412
			Franchise tax	159,248	-	159,248	-	-
			Investment earnings	26,295	8	26,303	5,381	2,523
			Miscellaneous	329,735	-	329,735	-	-
			Transfers	(6,070)	6,070	-	-	-
			Total general revenues and transfers	<u>3,745,220</u>	<u>6,078</u>	<u>3,751,298</u>	<u>195,037</u>	<u>104,935</u>
			Change in net position	755,307	(161,879)	593,428	171,081	(146,724)
			Net Position, Beginning of Year	<u>2,257,176</u>	<u>3,256,685</u>	<u>5,513,861</u>	<u>798,974</u>	<u>423,246</u>
			Net Position, End of Year	<u>\$ 3,012,483</u>	<u>\$ 3,094,806</u>	<u>\$ 6,107,289</u>	<u>\$ 970,055</u>	<u>\$ 276,522</u>

City of Ovilla, Texas
Balance Sheet – Governmental Funds
September 30, 2021

	General Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 956,233	\$ 286,451	\$ 262,465	\$ 1,505,149
Investments	317,320	-	-	317,320
Receivables (net of allowance for uncollectibles)				
Taxes	117,081	11,229	16,395	144,705
Accounts receivable	33,738	-	-	33,738
Due from other funds	42,607	2,593	335	45,535
Due from component unit	19,931	-	-	19,931
Prepaid expenses	-	400	-	400
Total assets	<u>1,486,910</u>	<u>300,673</u>	<u>279,195</u>	<u>2,066,778</u>
LIABILITIES				
Accounts payable	97,994	-	-	97,994
Accrued wages payable	35,634	-	-	35,634
Other accrued liabilities	26,324	-	-	26,324
Due to other funds	335	16,040	-	16,375
Unearned revenue	495,530	-	-	495,530
Total liabilities	<u>655,817</u>	<u>16,040</u>	<u>-</u>	<u>671,857</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue – property taxes	28,769	8,465	-	37,234
Total deferred inflows of resources	<u>28,769</u>	<u>8,465</u>	<u>-</u>	<u>37,234</u>
FUND BALANCES				
Restricted:				
Cultural and recreational	64,243	-	49,366	113,609
Debt service	-	276,168	-	276,168
Public safety	1,787	-	39,708	41,495
Streets	-	-	190,121	190,121
Unassigned	736,294	-	-	736,294
Total fund balances	<u>802,324</u>	<u>276,168</u>	<u>279,195</u>	<u>1,357,687</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,486,910</u>	<u>\$ 300,673</u>	<u>\$ 279,195</u>	<u>\$ 2,066,778</u>

City of Ovilla, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2021

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance – governmental funds	\$	1,357,687
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.		4,740,796
Revenues earned but not available within 60 days of year-end are not recognized as revenue in the fund financial statements.		37,234
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the fund financial statements.		(13,804)
Long-term liabilities including bonds payable, compensated absences, net pension liability and total OPEB liability and the related deferred outflows and deferred inflows for pensions and OPEB, are not due and payable in the current period and therefore are not reported in the fund financial statements.		(3,109,430)
		(3,109,430)
Net position of governmental activities	\$	3,012,483

City of Ovilla, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
For the Year Ended September 30, 2021

	General Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Property tax	\$ 2,180,414	\$ 585,280	\$ -	\$ 2,765,694
Sales tax	379,311	-	94,828	474,139
Franchise tax	159,248	-	-	159,248
Licenses and permits	56,868	-	-	56,868
Fines and forfeitures	60,672	-	3,943	64,615
Charges for services	882,357	-	-	882,357
Special assessment	-	-	335	335
Miscellaneous	259,574	-	-	259,574
Intergovernmental	181,923	-	-	181,923
Contributions and donations	100	-	729	829
Investment earnings	26,292	3	-	26,295
	<u>4,186,759</u>	<u>585,283</u>	<u>99,835</u>	<u>4,871,877</u>
Total revenues				
EXPENDITURES				
Current:				
General government	883,939	-	-	883,939
Public safety	2,238,962	-	879	2,239,841
Streets	333,934	-	-	333,934
Cultural and recreational	119,552	-	8,751	128,303
Solid waste	303,417	-	-	303,417
Debt service:				
Principal	-	337,565	-	337,565
Interest and fiscal charges	-	122,336	-	122,336
Capital outlay	371,621	-	-	371,621
	<u>4,251,425</u>	<u>459,901</u>	<u>9,630</u>	<u>4,720,956</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(64,666)</u>	<u>125,382</u>	<u>90,205</u>	<u>150,921</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	108,300	-	108,300
Transfers out	(2,495)	(111,875)	-	(114,370)
Insurance proceeds	70,161	-	-	70,161
	<u>67,666</u>	<u>(3,575)</u>	<u>-</u>	<u>64,091</u>
Total other financing sources (uses)				
Net change in fund balances	3,000	121,807	90,205	215,012
Fund balances, beginning of year	<u>799,324</u>	<u>154,361</u>	<u>188,990</u>	<u>1,142,675</u>
Fund balances, end of year	<u>\$ 802,324</u>	<u>\$ 276,168</u>	<u>\$ 279,195</u>	<u>\$ 1,357,687</u>

City of Ovilla, Texas
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds	\$	215,012
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$405,745 exceeded capital outlays of \$371,621 in the current year.		(34,124)
Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This amount is the net change in deferred inflows of resources.		3,821
The net effect of various miscellaneous transactions involving capital assets (<i>i.e.</i> capital contribution for capital asset)		248,798
Repayment of debt principal is an expenditure in the governmental funds, but repayment of debt reduces long-term liabilities in the statement of net position. Also, government funds report premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		343,954
Current year pension and OPEB expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows/inflows of resources balances.		(10,112)
Current year changes in long-term liabilities for compensated absences do not require the use of current financial resources; therefore they are not reported as expenditures in the governmental funds.		(13,941)
Current year change in accrued interest payable does not require the use of current financial resources; therefore, it is not reported as an expenditure in the governmental funds.		1,899
		<hr style="border-top: 1px solid black;"/>
Change in net position of governmental activities	\$	<u><u>755,307</u></u>

City of Ovilla, Texas
Statement of Net Position – Proprietary Fund
September 30, 2021

	Water and Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,560,610
Receivables (net of allowance for doubtful accounts)	
Accounts receivable	232,109
Inventories	13,055
Restricted cash and cash equivalents	253,280
Total current assets	2,059,054
Noncurrent assets	
Capital assets	
Nondepreciable	86,700
Depreciable, net of accumulated depreciation	2,413,664
Total noncurrent assets	2,500,364
Total assets	4,559,418
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources – Pension	34,813
Deferred outflows of resources – OPEB	5,188
Total deferred outflows of resources	40,001
LIABILITIES	
Current liabilities	
Accounts payable	52,878
Accrued wages payable	4,956
Compensated absences	10,613
Customer deposits	116,975
Due to other funds	29,160
Unearned revenue	516,262
Accrued interest payable	3,370
Bonds payable – current	83,416
Total current liabilities	817,630
Noncurrent liabilities	
Long-term debt, less current portion	604,391
Net pension liability	47,296
Total OPEB liability	16,323
Total noncurrent liabilities	668,010
Total liabilities	1,485,640
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources – Pension	17,947
Deferred inflows of resources – OPEB	1,026
Total deferred inflows of resources	18,973
NET POSITION	
Net investment in capital assets	1,946,920
Restricted for:	
Infrastructure improvements	3,941
Unrestricted	1,143,945
Total net position	\$ 3,094,806

City of Ovilla, Texas
Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Fund
Year Ended September 30, 2021

	Water and Sewer Fund
OPERATING REVENUES	
Water sales	\$ 856,627
Sewer service charges	418,741
Impact fees	22,361
Infrastructure improvement fees	81,226
Miscellaneous	92,883
	1,471,838
 OPERATING EXPENSES	
Water administration	245,033
Water	746,479
Sewer	444,050
Depreciation	204,233
	1,639,795
Total operating expenses	1,639,795
Operating income (loss)	(167,957)
 NONOPERATING REVENUES (EXPENSES)	
Investment earnings	8
	8
Total nonoperating revenues (expenses)	8
Income (loss) before transfers	(167,949)
Transfers in	114,370
Transfers out	(108,300)
	(161,879)
Change in net position	(161,879)
Net Position, Beginning of Year	3,256,685
Net Position, End of Year	\$ 3,094,806

City of Ovilla, Texas
Statement of Cash Flows – Proprietary Fund
Year Ended September 30, 2021

	Water and Sewer Fund
OPERATING ACTIVITIES	
Receipts from customers	\$ 1,488,742
Receipt of customer deposits	9,416
Payments to suppliers for goods and services	(660,682)
Payments to employees for salaries and benefits	(253,710)
Net cash provided by operating activities	583,766
NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	114,370
Transfers to other funds	(108,300)
Net cash provided by noncapital financing activities	6,070
CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(77,991)
Principal paid on capital debt	(82,435)
Interest and fiscal charges paid on capital debt	(1,980)
Net cash used in capital and related financing activities	(162,406)
INVESTING ACTIVITIES	
Interest on investments	8
Net cash provided by investing activities	8
Net increase in cash and cash equivalents	427,438
Cash and Cash Equivalents, Beginning of Year (including \$243,863 reported as restricted assets)	1,386,452
Cash and Cash Equivalents, End of Year (including \$253,280 reported as restricted assets)	\$ 1,813,890
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ (167,957)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	204,233
(Increases) decreases in assets and deferred outflows of resources:	
Accounts receivable and unbilled revenue	16,904
Deferred outflows of resources	(9,546)
Increases (decreases) in liabilities and deferred inflows of resources:	
Accounts payable	11,587
Accrued liabilities	505,614
Customer deposits	9,416
Compensated absences	3,388
Net pension liability	7,327
Total OPEB liability	4,305
Deferred inflows of resources	(1,505)
Total adjustments	751,723
Net cash provided by operating activities	\$ 583,766

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City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the City of Ovilla, Texas conform to accounting principles applicable to governments as promulgated by the Governmental Accounting Standards Board (GASB). The City of Ovilla's significant accounting policies are described below.

Description of the Government-wide Financial Statements

The government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from the legally separate *component units* for which the primary government is financially accountable.

Reporting Entity

The City of Ovilla, Texas (City) is a general law municipality and was incorporated in 1963. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units.

Discretely Presented Component Units

The Corporation and District described below are included in the City's reporting entity because the City appoints the governing body and are fiscally dependent on the City. The Corporation and District are reported as discretely presented component units since the governing body is not substantively the same as the governing body of the City, and they provide services to the citizens of Ovilla and the surrounding area as opposed to only the primary government. To emphasize that they are legally separate from the City, they are reported in separate columns in the financial statements.

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

The Ovilla 4B Economic Development Corporation was created under Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended, and is responsible for collecting and disbursing the one-half percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City. The City can impose its will on the Corporation by significantly influencing the program, projects, activities, or level of service performed by the Corporation. The Corporation is presented as a governmental fund type and has a September 30 year-end. The Ovilla Municipal Development District was created in accordance with Chapter 377 of the Texas Local Government Code and is responsible for collecting and disbursing the one-quarter percent sales tax to be used for municipal development within the City. The members of the District's board are appointed by the City. The City can impose its will on the District by significantly influencing the program, projects, activities, or level of service performed by the District. The District is presented as a governmental fund type and has a September 30 year-end.

Separate financial statements for the Corporation and District are not issued.

Basis of Presentation

Government-Wide Financial Statements

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

As discussed earlier, the City has two discretely presented component units. The Ovilla 4B Economic Development Corporation and Ovilla Municipal Development District are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

The fund financial statements provide information about the City's fund. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and the enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The City reports the following major enterprise fund:

The Water and Sewer Fund accounts for the activities of the sewage pumping stations and collection systems, and the water distribution system.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (*i.e.*, the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities' column. Similarly, balances between the funds included in business-type activities (*i.e.*, enterprise fund) are eliminated so that only the net amount is included as internal balance in business-type activity column.

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

Measurement Focus and Basis of Accounting

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

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

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension and OPEB obligations, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Budgetary Policy and Control

Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. For management purposes, the City adopts budgets for all funds. An annual budget is legally adopted by the General Fund, Debt Service Fund, and Water and Sewer Fund. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a fund. Budgeted amounts presented are the original adopted budget and the budget as further amended by the City Council (if amended).

Continuing Appropriations

The unexpended and unencumbered appropriations, which are available and recommended for continuation to the following fiscal year, are approved by the City Council for carryover. These commitments are reported as a designation of fund balance. Encumbered appropriations lapse at year-end but are recommended to the City Council for carryover. There were no unexpended and unencumbered appropriations at year-end.

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

Cash and Cash Equivalents

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Nonnegotiable certificates of deposit are carried at amortized cost. The government investment pools, TexPool and TexSTAR operate in accordance with state laws and regulations. Investments in external pools are carried at either net asset value or amortized cost, as determined by each pool’s individual investment valuation method and whether there is a readily determinable fair value of the pool as of the City’s fiscal year-end. In instances where pools transact at amortized cost, such as TexPool, no readily determinable fair value is deemed available.

Restricted Assets

Certain proceeds of the City’s enterprise fund bonds are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants of City ordinance, resulting in enabling legislation. The “bond construction” account is used to report those proceeds of bond issuances that are restricted for use in construction. The "infrastructure impact fees" account is used to segregate resources accumulated for infrastructure improvements. The “customer deposits” account is used to segregate customer deposits that will be returned in a future period.

Business-type Activities

Customer deposits	\$ 114,976
Bond construction account	134,363
Infrastructure impact fees	3,941
	3,941

Total Restricted Assets	\$ 253,280
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Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. As the City constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value at the date of donation. Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets

Buildings	30 to 50 Years
Improvements	5 to 40 Years
Machinery and equipment	3 to 15 Years
Infrastructure	10 to 40 Years

Unearned Revenue

In the governmental activities and general fund, unearned revenue of \$495,530 represents monies received in advance related to a 35-year telecom easement the City granted during fiscal year 2018. The City is amortizing the balance over the life of the easement and will recognize revenue each year on a straight-line basis.

In the business-type activities and enterprise fund, unearned revenue of \$516,262 represents intergovernmental monies received in advance as part of the Coronavirus State and Local Fiscal Recovery Funds program during fiscal year 2021. The City did not spend any of these funds during fiscal year 2021 and will recognize revenue as qualifying expenses are incurred.

Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary related benefits, where applicable. Vacation leave shall be taken during the year following its accumulation.

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Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the period of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 the City'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.

Defined Benefit Other Postemployment Benefit Plan

The City has a single-employer defined benefit other postemployment benefit (OPEB) plan (Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of net pension liability or total OPEB liability) until then. The City has the following items that qualify for reporting in this category:

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized as a reduction of the pension and OPEB liabilities in the subsequent fiscal year-end.

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- Difference in expected and actual experience – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in assumption changes – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in expected and actual experience – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue/increase of net pension liability or total OPEB liability) until that time. The City has the following items that qualify for reporting in this category:

- Difference in expected and actual experience – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in expected and actual experience – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.
- Difference in projected and actual earnings on pension plan investments – This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- Unavailable revenue – This arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. In the General Fund, deferred inflows of resources consist of property taxes of \$28,769. In the Debt Service Fund, unavailable revenues consist of property taxes in the amount of \$8,465. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources of governmental and business-type activities and proprietary funds. The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This amount consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted Net Position – This amount is restricted by external parties such as creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Sometimes the government will fund outlays for a particular purpose from both restricted (*e.g.*, restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts reported as restricted – net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Policies and Classifications

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which amount in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) are legally or contractually required to remain intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

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- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action (ordinance) by the highest level of decision-making authority, namely the City Council, prior to the end of the reporting period. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of formal action 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.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City management based on the City Council's direction.
- **Unassigned:** This classification represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance) are available for specified expenditures, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unassigned fund balance. Further, when the components of unassigned fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City's management to make estimates and assumptions that effect reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results may differ from those estimates.

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Program and General Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment.

All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund is charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Adoption of GASB Statement No. 84, Fiduciary Activities, (GASB 84) and 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 No. 14 and No. 84, and a supersession of GASB Statement No. 32 (GASB 97)

In 2021, the City adopted GASB 84 and GASB 97. These statements improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The adoption of GASB 84 and GASB 97 had no impact on the City's financial statements.

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Future Change in Accounting Principles

GASB Statement No. 87 (GASB 87), *Leases*, is effective for the City's fiscal year 2022. This new Statement establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. GASB 87 includes the accounting guidance for both lessees and lessors. The City expects to first apply GASB 87 during the year ending September 30, 2022, using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. The impact of applying the Statement has not been determined.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, is effective for the City's fiscal year 2023. 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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

Note 2: Deposits and Investments

Deposits

At September 30, 2021, the carrying amount of the City's cash and cash equivalents (including certificates of deposit) was \$3,636,359 and the respective bank balances totaled \$3,902,924. At September 30, 2021, the carrying amount and respective bank balance of the Corporation's cash and cash equivalents was \$956,458. At September 30, 2021, the carrying amount and the respective bank balance of the District's cash and cash equivalents was \$259,937. Nonnegotiable certificates of deposit are carried at amortized cost.

Custodial Credit Risk

There is a risk that, in the event of a bank failure, the City's deposits may not be returned. Both the City's investment policy and the Texas Public Funds Investment Act requires that all deposits of the City that exceed the Federal Depository Insurance Corporation (FDIC) coverage levels are collateralized with securities held by a third-party custodian in the City's name. As of September 30, 2021, the value of the City and its discretely presented component units deposits and investments not insured through the FDIC were not fully collateralized. The value of the City and discretely presented component units deposits and investments collateralized by securities at September 30, 2021 was \$4,370,215, the remaining \$239,310 was uninsured and uncollateralized at September 30, 2021.

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Investment

The City's investment policies are governed by state statutes. The City's investment policies further limit state statutes such that eligible investments include the following:

1. Obligations of the United States or its agencies and instrumentalities.
2. Direct obligations of the state of Texas or its agencies and instrumentalities.
3. Collateralized mortgage obligations directly issued by a federal agency instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentalities of the United States.
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the state or the United States of America or its agencies and instrumentalities.
5. Obligations of states, agencies, counties, cities, and other political subdivisions or any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.
6. Pooled investments with other government entities as authorized by the *Interlocal Cooperation Act*

Investment Pools

During the year, the City invested in multiple public fund investment pools, including TexPool and TexSTAR. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds. The City can liquidate funds daily without penalty and there is no unfunded commitment.

Federated Investors is the full-service provider for the TexPool program. As the provider, the responsibilities include managing the assets, providing participant services, and arranging for all custody and other functions in support of the operations under a contract with the State Comptroller of Public Accounts. JPMorgan Investment Management (JPMIM) and Hilltop Securities, Inc. (HSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors. JPMIM serves as an investment advisor to TexSTAR, while HSAM provides administrative participant support and marketing services.

Following the criteria for GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, TexPool uses amortized cost and TexStar uses NAV to value portfolio assets. As is legally permissible for municipalities and school districts in the state, TexPool and TexSTAR invest in a high-quality portfolio of short-term investments. Investments in the pools are considered to be cash equivalents when preparing these financial statements.

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Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting the weighted-average days to maturity of its investment portfolio to 24 months (730 days). This means investing operating funds primarily in short-term securities, money market mutual funds or similar investment pools.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City’s investment policy requires that investment pools be continuously rated no lower than “AAA” or “AAA-m” or an equivalent rating by at least one nationally recognized rating service. TexPool and TexSTAR are both currently rated AAA by Standard and Poor’s.

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1** Quoted prices for identical investments in active markets;
- Level 2** Observable inputs other than those in Level 1; and
- Level 3** Unobservable inputs.

The City has no investments that are required to be included in the fair value hierarchy at September 30, 2021.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at net asset value - TexSTAR	\$ 10,963	\$ -	\$ -	\$ -
Investment measured at amortized cost - TexPool	324	-	-	-
Nonnegotiable certificates of deposit	318,596	-	-	-
Total investments	<u>\$ 329,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investments that are measured using the net asset value per share (or its equivalent) practical expedient and amortized cost have not been classified in the fair value hierarchy. Additionally, certificates of deposits are excluded from the fair value hierarchy as their carrying amounts approximate fair value.

City of Ovilla, Texas
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Note 3: Property Taxes

The City’s property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Ellis Appraisal District as market value and assessed at 100 percent of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Ellis County Tax Assessor/Collector bills and collects the City’s property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected. Allocations of property tax levy by purpose for 2021 are as follows (amounts per \$100 assessed value):

<u>Fund Type</u>	<u>2021</u>	<u>2020</u>
General Fund	\$ 0.52000	\$ 0.54183
Debt Service Fund	<u>\$ 0.14000</u>	<u>\$ 0.11817</u>
Total	<u>\$ 0.66000</u>	<u>\$ 0.66000</u>

In the Governmental Funds, property taxes are recorded as receivables when assessed. At fiscal year-end, property tax receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of this fiscal year-end, they are recorded as unavailable revenue. Revenues are recognized as the related ad valorem taxes are collected. In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. If a city with a population of less than 30,000 adopts a tax rate that exceeds the greater of the city’s voter-approval tax rate or the de minimis tax rate, the city council must order an election to approve the adopted tax rate for the November uniform election date.

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Notes to the Financial Statements
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Note 4: Receivables and Interfund Balances

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general, debt service, water and sewer fund, and nonmajor governmental funds, including the applicable allowances for uncollectible accounts:

Receivables	General	Debt Service	Nonmajor Governmental	Water and Sewer	Total
Taxes	\$ 144,179	\$ 18,716	\$ 16,395	\$ -	\$ 179,290
Accounts	38,106	-	-	246,356	284,462
Less allowance for uncollectibles	<u>(31,466)</u>	<u>(7,487)</u>	<u>-</u>	<u>(14,247)</u>	<u>(53,200)</u>
Net receivables	<u>\$ 150,819</u>	<u>\$ 11,229</u>	<u>\$ 16,395</u>	<u>\$ 232,109</u>	<u>\$ 410,552</u>

Interfund Balances

The composition of interfund balances as of September 30, 2021, was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service	\$ 16,040
Park Impact	General Fund	335
General Fund	Water and Sewer Fund	26,567
Debt Service	Water and Sewer Fund	2,593
General Fund	Ovilla 4B Economic Development Corporation	19,306
General Fund	Ovilla Municipal District Development	625

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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Note 5: Interfund Transfers

All interfund transfers between the various funds are approved supplements to the operations of those funds. Transfers between funds for the year ended September 30, 2021, were as follows:

	Transfers in		Total Transfers Out
	<u>Major Governmental</u> Debt Service	<u>Major Enterprise</u> Water and Sewer	
Transfers out			
General	\$ -	\$ 2,495	\$ 2,495
Debt Service	-	111,875	111,875
Water and Sewer	<u>108,300</u>	<u>-</u>	<u>108,300</u>
Total transfers in	<u>\$ 108,300</u>	<u>\$ 114,370</u>	<u>\$ 222,670</u>

Transfers were primarily used to move funds from the Water and Sewer Fund to the Debt Service Fund for the payment of bonds, and to move funds from the Debt Service Fund to the Water and Sewer Fund to allocate a portion of the principal and interest of the 2011 GO Refunding Bonds to the Water and Sewer Fund.

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Note 6: Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	Balance Beginning of Year	Additions	Sales/ Disposals	Transfers	Balance End of Year
Governmental activities					
Capital assets not being depreciated					
Land	\$ 397,763	\$ -	\$ -	\$ -	\$ 397,763
Construction in progress	90,490	555,956	-	(619,924)	26,522
Total capital assets not being depreciated	<u>488,253</u>	<u>555,956</u>	<u>-</u>	<u>(619,924)</u>	<u>424,285</u>
Capital assets being depreciated					
Buildings	689,388	-	-	-	689,388
Machinery and equipment	3,574,582	64,463	-	-	3,639,045
Infrastructure	3,488,797	-	-	619,924	4,108,721
Total capital assets being depreciated	<u>7,752,767</u>	<u>64,463</u>	<u>-</u>	<u>619,924</u>	<u>8,437,154</u>
Less accumulated depreciation					
Buildings	(236,708)	(32,987)	-	-	(269,695)
Machinery and equipment	(2,828,043)	(253,379)	-	-	(3,081,422)
Infrastructure	(650,147)	(119,379)	-	-	(769,526)
Total accumulated depreciation	<u>(3,714,898)</u>	<u>(405,745)</u>	<u>-</u>	<u>-</u>	<u>(4,120,643)</u>
Total capital assets being depreciated, net	<u>4,037,869</u>	<u>(341,282)</u>	<u>-</u>	<u>619,924</u>	<u>4,316,511</u>
Governmental activities capital assets, net	<u>\$ 4,526,122</u>	<u>\$ 214,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,740,796</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 86,700	\$ -	\$ -	\$ -	\$ 86,700
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>86,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,700</u>
Capital assets being depreciated					
Buildings	85,084	34,020	-	-	119,104
Improvements	5,917,440	-	-	-	5,917,440
Machinery and equipment	313,638	43,971	-	-	357,609
Total capital assets being depreciated	<u>6,316,162</u>	<u>77,991</u>	<u>-</u>	<u>-</u>	<u>6,394,153</u>
Less accumulated depreciation					
Buildings	(39,282)	(2,331)	-	-	(41,613)
Improvements	(3,481,288)	(186,805)	-	-	(3,668,093)
Machinery and equipment	(255,687)	(15,096)	-	-	(270,783)
Total accumulated depreciation	<u>(3,776,257)</u>	<u>(204,232)</u>	<u>-</u>	<u>-</u>	<u>(3,980,489)</u>
Total capital assets being depreciated, net	<u>2,539,905</u>	<u>(126,241)</u>	<u>-</u>	<u>-</u>	<u>2,413,664</u>
Business-type activities capital assets, net	<u>\$ 2,626,605</u>	<u>\$ (126,241)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,500,364</u>

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 15,178
Public safety	201,638
Streets	160,683
Culture and recreation	<u>28,246</u>
Total depreciation expense – governmental activities	<u><u>\$ 405,745</u></u>
Business-type Activities	
Water and Sewer	<u>\$ 204,232</u>
Total depreciation expense – business-type activities	<u><u>\$ 204,232</u></u>

Note 7: Long-term Debt

The following is a summary of the long-term debt activity for the year ended September 30, 2021:

	Balance Beginning of Year	Borrowings/ Additions	Repayments/ Reductions	Balance End of Year	Due within One Year
Governmental activities					
General obligation bonds	\$ 3,098,368	\$ -	\$ (337,565)	\$ 2,760,803	\$ 341,584
Premium on bonds	64,459	-	(7,163)	57,296	-
Discount on bonds	(3,478)	-	774	(2,704)	-
Compensated absences	<u>81,508</u>	<u>95,706</u>	<u>(81,765)</u>	<u>95,449</u>	<u>95,449</u>
Total governmental activities	<u>3,240,857</u>	<u>95,706</u>	<u>(425,719)</u>	<u>2,910,844</u>	<u>437,033</u>
Business-type activities					
General obligation refunding bonds	756,632	-	(82,435)	674,197	83,416
Premium on bonds	15,742	-	(1,749)	13,993	-
Discount on bonds	(461)	-	78	(383)	-
Compensated absences	<u>7,225</u>	<u>28,335</u>	<u>(24,947)</u>	<u>10,613</u>	<u>10,613</u>
Total business-type activities	<u>779,138</u>	<u>28,335</u>	<u>(109,053)</u>	<u>698,420</u>	<u>94,029</u>
Total primary government	<u><u>\$ 4,019,995</u></u>	<u><u>\$ 124,041</u></u>	<u><u>\$ (534,772)</u></u>	<u><u>\$ 3,609,264</u></u>	<u><u>\$ 531,062</u></u>

General obligation refunding bonds issued for governmental activity purposes are liquidated by the debt service fund. Governmental compensated absences will be liquidated by the general fund. General obligation refunding bonds issued for business-type activities are repaid from those activities. Business-type compensated absences will be liquidated by those activities.

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General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition, construction and maintenance of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The debt service requirements for the City's bonds payable are as follows:

Fiscal Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2022	341,584	110,432	83,416	26,968	562,400
2023	361,677	96,769	88,323	23,631	570,400
2024	377,752	82,302	92,248	20,098	572,400
2025	393,826	67,189	96,174	16,411	573,600
2026	409,901	51,437	100,099	12,563	574,000
2027-2029	876,063	53,205	213,937	12,995	1,156,200
	<u>\$ 2,760,803</u>	<u>\$ 461,334</u>	<u>\$ 674,197</u>	<u>\$ 112,666</u>	<u>\$ 4,009,000</u>

Note 8: Defined Benefit Pension Plan

Plan Description

The City 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 of 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 www.tmr.com.

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

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

Benefits Provided

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

At retirement, the 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 percent of the total Member contributions and interest.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	36
Active employees	30
	83
	83

Contributions

Member contribution rates in TMRS are either 5 percent, 6 percent or 7 percent of the Member’s total compensation, and the city matching percentages are either 100 percent, 150 percent or 200 percent, 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 were required to contribute 7 percent of their annual compensation during the fiscal year. The contribution rates for the City were 9.72 percent and 9.83 percent in calendar years 2021 and 2020, respectively. The City’s contributions to TMRS for the year ended September 30, 2021, were \$175,591, 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.

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are 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 actives, 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 percent and 3.0 percent 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 time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75 percent. 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 Members. 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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at October 1, 2020	\$ 3,600,956	\$ 3,372,201	\$ 228,755
Changes for the year:			
Service cost	227,874	-	227,874
Interest (on the total pension liability)	246,441	-	246,441
Difference between expected and actual experience	72,513	-	72,513
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(127,831)	(127,831)	-
Administrative expense	-	(1,656)	1,656
Contributions - member	-	105,497	(105,497)
Contributions - employer	-	255,845	(255,845)
Net investment income	-	148,148	(148,148)
Other	-	(65)	65
Net Changes	<u>418,997</u>	<u>379,938</u>	<u>39,059</u>
Balances at September 30, 2021	<u>\$ 4,019,953</u>	<u>\$ 3,752,139</u>	<u>\$ 267,814</u>

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

1% Decrease in Discount Rate (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase in Discount Rate (7.75%)
\$ 883,049	\$ 267,814	\$ (235,662)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmr.com.

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

For the year ended September 30, 2021, the City recognized pension expense of \$167,725.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 58,452	\$ 6,488
Difference between projected and actual investment earnings on pension plan investments	-	95,139
Changes of assumptions	7,983	-
Contributions subsequent to the measurement date	130,692	-
Total	\$ 197,127	\$ 101,627

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

\$130,692 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$	1,218
2023		24,300
2024		(55,065)
2025		(5,645)
		(35,192)
	\$	(35,192)

Allocation of Pension Items

The City allocates pension items between governmental activities and business-type activities on the basis of employee payroll funding. For the governmental activities, the net pension liability is liquidated by the general fund. For the business type activities, the water and sewer fund liquidates the net pension liability.

Note 9: Postemployment Benefits Other Than Pensions

Plan Description

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (*i.e.*, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75).

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of \$7,500.

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

Employees Covered by Benefit Terms

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

Inactive employees currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	3
Active employees	30
	44
	44

Benefit Payments

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's total SBDF contribution rates were 0.19 and 0.16 percent for calendar year 2021 and 2020, respectively. The retiree portion of the total SBDF contribution rates for the City were 0.03 percent in both calendar year 2021 and 2020.

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Actuarial Cost Method	Entry-Age Normal
Discount Rate	2.00% as of December 31, 2020 (2.75% as of December 31, 2019)
Inflation	2.50%
Salary Increase	3.50% to 11.50%, including inflation
Retirees' share of benefit related costs	\$0

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

Mortality rates for retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Based on the size of the City, rates are multiplied by an additional factor of 100.0 percent, which adds an additional layer of conservatism. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5 percent and 3 percent 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.

Discount Rate

The discount rate used to measure the Total OPEB Liability as of December 31, 2020 was 2.00 percent, compared to 2.75 percent as of December 31, 2019. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of the measurement date of December 31, 2020.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at October 1, 2020	\$ 68,055
Changes for the year:	
Service cost	4,823
Interest (on the total OPEB liability)	1,932
Difference between expected and actual experience	5,148
Changes in assumptions or other inputs	12,915
Benefit payments	(452)
Balance at September 30, 2021	\$ 92,421

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

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

The following presents the Total OPEB liability of the City, calculated using the discount rate of 2.00 percent, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00 percent) or 1-percentage-point higher (3.00 percent) than the current rate:

1% Decrease 1.00%	Current Discount Rate (2.00%)	1% Increase 3.00%
\$ 114,141	\$ 92,421	\$ 75,668

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$10,604.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 5,002	\$ 3,613
Changes of assumptions	21,817	2,203
Contributions subsequent to the measurement date	2,555	-
Total	\$ 29,374	\$ 5,816

\$2,555 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2022	\$ 3,849
2023	3,849
2024	3,849
2025	3,328
2026	4,445
Thereafter	1,683
	\$ 21,003

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

Allocation of OPEB Items

The City allocates OPEB items between governmental activities and business-type activities on the basis of employee payroll funding. For the governmental activities, the total OPEB liability is liquidated by the general fund. For the business type activities, the water and sewer fund liquidates the total OPEB liability.

Note 10: Commitments, Contingencies, and Uncertainties

Commitments

The City has entered into a memorandum of agreement with the City of Dallas, Texas to purchase treated water for a term of thirty years, expiring in 2039. The City pays for water based on the volume received at a flat rate as determined under the contract. The City of Dallas agrees to provide potable water to meet volume and demand requirements of the City. Delivery of potable water are subject to and limited to available system supply and system deliverability, as determined by the Director of Water Utilities of Dallas. If the City ceases to take water from the City of Dallas because other surface water supplies have been developed or acquired, the City shall for five years or the balance of this contract, whichever is less, remain liable for demand charges at the billing level in effect at such cessation.

Expenses incurred for the year ended September 30, 2021 were \$437,234.

The City has entered into a contract with the Trinity River Authority of Texas - Red Oak Creek Regional Wastewater System to obtain wastewater treatment services. In the contract, the Authority agreed to acquire and construct a regional wastewater treatment system to serve the City and other contractual parties, in the area of the watershed or drainage basin of Red Oak Creek, being a tributary of the Trinity River, and located in Ellis and Dallas Counties, Texas. The Trinity River Authority (TRA) is a governmental agency, which is controlled by directors appointed by the governor.

The City is responsible for a proportionate share of the system's annual operation, maintenance and debt service costs for the term of the contract. These costs are determined annually and are payable in monthly installments.

Expenses incurred for the year ended September 30, 2021 were \$334,790.

The City has entered into a contract with Progressive Waste Solutions of TX, Inc. that grants the exclusive right to operate and maintain the collection, transportation and recycling or disposal of municipal solid waste, expiring November 30, 2023.

Expenses incurred for the year ended September 30, 2021 were \$303,417.

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2021

Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Economic Environment

As a result of the occurrence and SARs-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of City. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 11: Subsequent Event

In December 2021, the City issued \$3,500,000 in debt to refund the General Obligation Refunding Bonds, Series 2011. The refunding will result in the City realizing net present value savings of approximately \$280,000.

Required Supplementary Information

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City of Ovilla, Texas
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – General Fund
Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive(Negative)
	Original	Final		
REVENUES				
Property tax	\$ 2,231,750	\$ 2,231,750	\$ 2,180,414	\$ (51,336)
Sales tax	260,215	260,215	379,311	119,096
Franchise tax	163,000	163,000	159,248	(3,752)
Licenses and permits	127,510	127,510	56,868	(70,642)
Fines and forfeitures	125,550	125,550	60,672	(64,878)
Charges for services	565,960	565,960	882,357	316,397
Miscellaneous	467,285	467,285	259,574	(207,711)
Intergovernmental	133,000	133,000	181,923	48,923
Contributions and donations	-	-	100	100
Investment income	18,500	18,500	26,292	7,792
Total revenues	4,092,770	4,092,770	4,186,759	93,989
EXPENDITURES				
Current:				
General government	775,249	778,049	883,939	(105,890)
Public safety	2,118,910	2,118,910	2,238,962	(120,052)
Streets	338,924	338,924	333,934	4,990
Cultural and recreational	135,940	153,990	119,552	34,438
Solid waste	277,221	277,221	303,417	(26,196)
Capital outlay	248,300	512,300	371,621	140,679
Total expenditures	3,894,544	4,179,394	4,251,425	(72,031)
Excess (deficiency) of revenues over (under) expenditures	198,226	(86,624)	(64,666)	21,958
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	70,161	70,161
Transfers out	-	-	(2,495)	(2,495)
Total other financing sources (uses), net	-	-	67,666	67,666
Net changes in fund balances	198,226	(86,624)	3,000	89,624
Fund Balances, Beginning of Year	799,324	799,324	799,324	-
Fund Balances, End of Year	\$ 997,550	\$ 712,700	\$ 802,324	\$ 89,624

City of Ovilla, Texas
Required Supplementary Information
Schedule of Changes in City's Net Pension Liability and Related Ratios
Texas Municipal Retirement System (Unaudited)

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total pension liability:							
Service cost	\$ 133,126	\$ 152,418	\$ 169,345	\$ 186,109	\$ 196,139	\$ 206,345	\$ 227,874
Interest (on the Total Pension Liability)	131,163	146,343	158,406	178,592	199,433	225,012	246,441
Difference between expected and actual experience	30,618	(33,064)	40,946	38,596	99,321	(14,448)	72,513
Change in assumptions	-	68,368	-	-	-	17,779	-
Benefit payments, including refunds of employee contributions	(73,514)	(101,887)	(70,894)	(85,146)	(113,964)	(128,138)	(127,831)
Net change in total pension liability	221,393	232,178	297,803	318,151	380,929	306,550	418,997
Total pension liability – beginning	1,843,952	2,065,345	2,297,523	2,595,326	2,913,477	3,294,406	3,600,956
Total pension liability – ending (a)	\$ 2,065,345	\$ 2,297,523	\$ 2,595,326	\$ 2,913,477	\$ 3,294,406	\$ 3,600,956	\$ 4,019,953
Plan fiduciary net position:							
Contributions – employer	\$ 65,545	\$ 87,584	\$ 93,871	\$ 113,088	\$ 136,171	\$ 129,665	\$ 148,148
Contributions – employee	94,459	69,779	75,265	82,978	99,975	94,654	105,497
Net investment income	107,420	3,054	143,377	327,413	(83,870)	438,791	255,845
Benefit payments, including refunds of employee contributions	(73,514)	(101,887)	(70,894)	(85,146)	(113,965)	(128,138)	(127,831)
Administrative expense	(1,121)	(1,861)	(1,623)	(1,700)	(1,623)	(2,481)	(1,656)
Other	(92)	(92)	(87)	(86)	(84)	(75)	(65)
City's net change in plan fiduciary net position	192,697	56,577	239,909	436,547	36,604	532,416	379,938
Plan fiduciary net position – beginning	1,877,451	2,070,148	2,126,725	2,366,634	2,803,181	2,839,785	3,372,201
Plan fiduciary net position – ending (b)	\$ 2,070,148	\$ 2,126,725	\$ 2,366,634	\$ 2,803,181	\$ 2,839,785	\$ 3,372,201	\$ 3,752,139
City's net pension liability – ending (a) – (b)	\$ (4,803)	\$ 170,798	\$ 228,692	\$ 110,296	\$ 454,621	\$ 228,755	\$ 267,814
Plan fiduciary net position as a percentage of total pension liability	100.23%	92.57%	91.19%	96.21%	86.20%	93.65%	93.34%
Covered payroll	\$ 955,646	\$ 996,849	\$ 1,075,213	\$ 1,185,406	\$ 1,272,801	\$ 1,352,193	\$ 1,507,100
City's net pension liability as a percentage of covered payroll	-0.50%	17.13%	21.27%	9.30%	35.72%	16.92%	17.77%

Other Information:

For the 2019 valuation, inflation used was 2.5%, investment rate of return and discount rate used was 6.75% and actuarial studies were updated through December 31, 2018.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date (December 31).

City of Ovilla, Texas
Required Supplementary Information
Schedule of City's Pension Contributions
Texas Municipal Retirement System (Unaudited)

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Actuarially determined contribution	\$ 76,327	\$ 90,963	\$ 108,758	\$ 119,502	\$ 131,837	\$ 139,428	\$ 175,591
Contribution in relation of the actuarially determined contribution	<u>1,377,502</u>	<u>1,517,046</u>	<u>108,758</u>	<u>119,502</u>	<u>131,837</u>	<u>139,428</u>	<u>175,591</u>
Contribution deficiency (excess)	<u>\$ (1,301,175)</u>	<u>\$ (1,426,083)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 955,673	\$ 1,040,711	\$ 1,166,120	\$ 1,231,768	\$ 1,368,217	\$ 1,404,914	\$ 1,801,336
Contributions as a percentage of covered payroll	144.14%	145.77%	9.33%	9.70%	9.64%	9.92%	9.75%

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	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	

Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 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 tables, with the 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

There were no benefit changes during the most recent fiscal year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's most recent fiscal year-end (September 30).

City of Ovilla, Texas
Required Supplementary Information
Schedule of Changes in City's Total OPEB Liability and Related Ratios
Supplemental Death Benefit Plan (Unaudited)

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total OPEB liability:				
Service cost	\$ 3,083	\$ 3,818	\$ 3,380	\$ 4,823
Interest (on the Total OPEB Liability)	1,782	1,864	1,907	1,932
Difference between expected and actual experience	-	(6,229)	916	5,148
Change in assumptions	4,343	(3,799)	12,356	12,915
Benefit payments, including refunds of employee contributions	(356)	(382)	(406)	(452)
Net change in Total OPEB liability	8,852	(4,728)	18,153	24,366
Total OPEB liability – beginning	45,778	54,630	49,902	68,055
Total OPEB liability – ending	\$ 54,630	\$ 49,902	\$ 68,055	\$ 92,421
Covered employee payroll	\$ 1,185,406	\$ 1,272,801	\$ 1,352,193	\$ 1,507,100
City's total OPEB liability as a percentage of covered employee payroll	4.61%	3.92%	5.03%	6.13%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

Changes of Benefit Terms:

None

Changes of Assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2019	2.75%
2020	2.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date (December 31).

**Budgetary Comparison Schedules and
Combining Fund Financial Statements**

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City of Ovilla, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – Debt Service Fund
Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive(Negative)
REVENUES				
Property tax	\$ 461,700	\$ 461,700	\$ 585,280	\$ 123,580
Investment income	550	550	3	(547)
Total revenues	<u>462,250</u>	<u>462,250</u>	<u>585,283</u>	<u>123,033</u>
EXPENDITURES				
Debt service:				
Principal retirement	420,000	420,000	337,565	82,435
Interest and fiscal charges	150,550	150,550	122,336	28,214
Total expenditures	<u>570,550</u>	<u>570,550</u>	<u>459,901</u>	<u>110,649</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(108,300)</u>	<u>(108,300)</u>	<u>125,382</u>	<u>233,682</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	108,460	108,460	108,300	160
Transfers out	<u>-</u>	<u>-</u>	<u>(111,875)</u>	<u>(111,875)</u>
Total other financing sources (uses), net	<u>108,460</u>	<u>108,460</u>	<u>(3,575)</u>	<u>(111,715)</u>
Net changes in fund balances	160	160	121,807	121,967
Fund Balances, Beginning of Year	<u>154,361</u>	<u>154,361</u>	<u>154,361</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 154,521</u>	<u>\$ 154,521</u>	<u>\$ 276,168</u>	<u>\$ 121,967</u>

City of Ovilla, Texas
Schedule of Revenues, Expenditures, and Changes in Net Position
Budget to Actual – Water and Sewer Fund
Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive(Negative)
	Original	Final		
OPERATING REVENUES				
Water sales	\$ 846,400	\$ 846,400	\$ 856,627	\$ 10,227
Sewer service charges	401,400	401,400	418,741	17,341
Impact fees	27,000	27,000	22,361	(4,639)
Infrastructure improvement fees	85,000	85,000	81,226	(3,774)
Miscellaneous	70,000	70,000	92,883	22,883
Total revenues	<u>1,429,800</u>	<u>1,429,800</u>	<u>1,471,838</u>	<u>42,038</u>
OPERATING EXPENSES				
Water administration	257,239	259,889	245,033	14,856
Water	961,063	961,063	746,479	214,584
Sewer	445,927	445,927	444,050	1,877
Depreciation	-	-	204,233	(204,233)
Total expenditures	<u>1,664,229</u>	<u>1,666,879</u>	<u>1,639,795</u>	<u>27,084</u>
Operating income (loss)	<u>(234,429)</u>	<u>(237,079)</u>	<u>(167,957)</u>	<u>69,122</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	50	50	8	42
Total nonoperating revenues (expenses)	<u>50</u>	<u>50</u>	<u>8</u>	<u>42</u>
Income before transfers, net	<u>(234,379)</u>	<u>(237,029)</u>	<u>(167,949)</u>	<u>69,164</u>
Transfers in	234,379	234,379	114,370	120,009
Transfers out	-	-	(108,300)	(108,300)
Transfers, net	<u>234,379</u>	<u>234,379</u>	<u>6,070</u>	<u>11,709</u>
Change in Net Position	-	(2,650)	(161,879)	(159,229)
Net Position, Beginning of Year	<u>3,256,685</u>	<u>3,256,685</u>	<u>3,256,685</u>	<u>-</u>
Net Position, End of Year	<u>\$ 3,256,685</u>	<u>\$ 3,254,035</u>	<u>\$ 3,094,806</u>	<u>\$ (159,229)</u>

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to be used for specified purposes.

Fire Department Auxiliary – This fund is used to account for donations to the Fire Department which in turn are spent on education, firefighter awards banquet and community services such as National Night Out and Heritage Day.

Park Impact Fees – This fund is used to account for funds received from an impact fee assessed through new building permits and is used to purchase new park equipment and make improvements to our parks.

Police Department Special – This fund is used to account for donations to the Police Department which in turn are spent on education, protective equipment, police awards and community services such as National Night Out and Heritage Day.

Street Maintenance – This fund is used to account for the 1/4 cent Street Maintenance Tax revenues and expenditures devoted to street repair, mill and overlay, and reconstruction projects.

Court Technology Fund – This fund accounts for the collection of a municipal court technology fee. The proceeds of a fee attached to each conviction are dedicated to acquisition of technology that enhances the operation efficiency of the court.

Court Security Fund – This fund accounts for the collection of a municipal court security fee. The proceeds of a fee attached to each conviction are dedicated to secure the municipal court.

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City of Ovilla, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2021

	Fire Department Auxiliary Fund	Park Impact Fees Fund	Police Department Special Fund	Street Maintenance Fund	Court Technology Fund	Court Security Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 3,590	\$ 49,031	\$ 1,965	\$ 173,726	\$ 8,344	\$ 25,809	\$ 262,465
Receivables	-	-	-	16,395	-	-	16,395
Due from other funds	-	335	-	-	-	-	335
Total assets	<u>3,590</u>	<u>49,366</u>	<u>1,965</u>	<u>190,121</u>	<u>8,344</u>	<u>25,809</u>	<u>279,195</u>
FUND BALANCES							
Restricted							
Public safety	3,590	-	1,965	-	8,344	25,809	39,708
Cultural and recreational	-	49,366	-	-	-	-	49,366
Streets	-	-	-	190,121	-	-	190,121
Total fund balances	<u>3,590</u>	<u>49,366</u>	<u>1,965</u>	<u>190,121</u>	<u>8,344</u>	<u>25,809</u>	<u>279,195</u>
Total liabilities and fund balances	<u>\$ 3,590</u>	<u>\$ 49,366</u>	<u>\$ 1,965</u>	<u>\$ 190,121</u>	<u>\$ 8,344</u>	<u>\$ 25,809</u>	<u>\$ 279,195</u>

City of Ovilla, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2021

	Fire Department Auxiliary Fund	Park Impact Fees Fund	Police Department Special Fund	Street Maintenance Fund	Court Technology Fund	Court Security Fund	Total Nonmajor Governmental Funds
REVENUES							
Sales tax	\$ -	\$ -	\$ -	94,828	\$ -	\$ -	\$ 94,828
Fines and forfeitures	-	-	-	-	1,815	2,128	3,943
Special assessment	-	335	-	-	-	-	335
Contributions and donations	-	-	729	-	-	-	729
Total revenues	<u>-</u>	<u>335</u>	<u>729</u>	<u>94,828</u>	<u>1,815</u>	<u>2,128</u>	<u>99,835</u>
EXPENDITURES							
Public safety	-	-	-	-	-	879	879
Cultural and recreational	-	8,751	-	-	-	-	8,751
Total expenditures	<u>-</u>	<u>8,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>879</u>	<u>9,630</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(8,416)</u>	<u>729</u>	<u>94,828</u>	<u>1,815</u>	<u>1,249</u>	<u>90,205</u>
Net change in fund balances	-	(8,416)	729	94,828	1,815	1,249	90,205
Fund balances, beginning of year	<u>3,590</u>	<u>57,782</u>	<u>1,236</u>	<u>95,293</u>	<u>6,529</u>	<u>24,560</u>	<u>188,990</u>
Fund balances, end of year	<u>\$ 3,590</u>	<u>\$ 49,366</u>	<u>\$ 1,965</u>	<u>\$ 190,121</u>	<u>\$ 8,344</u>	<u>\$ 25,809</u>	<u>\$ 279,195</u>

Discretely Presented Component Units

Ovilla 4B Economic Development Corporation – to aid, promote and further economic development within the City.

Ovilla Municipal Development District – to fund public projects to maintain or enhance the quality of life in the City.

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City of Ovilla, Texas
Balance Sheet/Statement of Net Position
Discretely Presented Component Units
September 30, 2021

	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 956,458	\$ 259,837
Receivables	32,789	17,210
Prepaid expenses	114	100
Total assets	<u>989,361</u>	<u>277,147</u>
 LIABILITIES		
Due to primary government	<u>19,306</u>	<u>625</u>
Total liabilities	<u>19,306</u>	<u>625</u>
 FUND BALANCES/NET POSITION		
Restricted:		
Economic development	970,055	-
Municipal development	-	276,522
Total fund balances/net position	<u>970,055</u>	<u>276,522</u>
 Total liabilities and fund balances/net position	<u>\$ 989,361</u>	<u>\$ 277,147</u>

City of Ovilla, Texas
Statement of Revenues, Expenditures, and Changes
in Fund Balances/Net Position
Discretely Presented Component Units
For the Year Ended September 30, 2021

	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
REVENUES		
Sales tax	\$ 189,656	\$ 102,412
Interest income	5,381	2,523
Total revenues	<u>195,037</u>	<u>104,935</u>
EXPENDITURES		
Economic development	23,956	-
Municipal development	-	251,659
Total expenditures	<u>23,956</u>	<u>251,659</u>
Excess of revenues over expenditures	<u>171,081</u>	<u>(146,724)</u>
Net change in fund balances	171,081	(146,724)
Fund Balances/Net Position, Beginning of Year	<u>798,974</u>	<u>423,246</u>
Fund Balances/Net Position, End of Year	<u>\$ 970,055</u>	<u>\$ 276,522</u>